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DOING BUSINESS IN MAURITIUS GUIDE

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Preface

This 'Doing Business in Mauritius' Guide has been prepared by Osman Badat FCA.

The Guide is designed to provide information on a number of subjects important to those contemplating investing or doing business in Mauritius. Although Osman Badat endeavors to provide accurate and timely information, there can be no guarantee that such information is accurate at the time it is received or that it will continue to be accurate in the future.

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1. Introduction

Geography and History

Mauritius is a subtropical island in the Indian Ocean, strategically located at the crossroads of Africa and Asia, at 855 km east of Madagascar. The main city and capital of the country is Port Louis. Mauritius is independent since 1968 and became a Republic in 1992.

An island with an area of 1,864 km², it is almost entirely surrounded by coral reefs. Mauritius has a cosmopolitan culture. Co-existence among Mauritians of Indian, African, European and Chinese ancestry has led to a sharing of cultures and values, a collective participation in festivals and increased understanding between people of different backgrounds. Mauritius is today a unique melting pot of peoples, languages and cultures. At the end of 2008, the population¹ of the Republic of Mauritius was estimated at 1,272,040.

Business Environment

Over the past 15 years, Mauritius has emerged as a unique investment destination and as a great place to do business. The country enjoys a vibrant economy, stable democracy and high living standards. Since independence in 1968, it has ambitiously moved from a small agricultural economy to a dynamic secondary sector (textile and tourism), to the services sector through Global Business activities and lately Business Process Outsourcing. In the 2009 'Ease of Doing Business' publication of the World Bank, Mauritius is ranked 24th out of 181 economies and 1st among African countries.

Mauritius has an open economy, with very few restrictions on exports and imports. Trade policies are geared towards securing the import requirements of the population as well as promoting Mauritius as a business centre from where export and re-export activities can fully take place. Furthermore, Mauritius is a member of various important international organisations as well as regional blocks and of greater importance, the island is one of the first African countries to be eligible under the African Growth and Opportunity Act.

A new business can be set-up and operational in just three days. Investors and professionals benefit from a hassle-free environment where income and corporate tax are harmonized at a low 15%. Businesses can be conducted locally in several forms: under a self-employed activity, as a partnership with Mauritian nationals or a 100% foreign owned company under the Companies Act.

¹ Source: Central Statistical Office

Mauritius offers both a low tax jurisdiction and competitively priced business costs. The Mauritius tax regime is one of the lowest in the world:

- Corporate and income tax of 15%
- Tax free dividends
- No capital gains tax
- Up to 100% foreign ownership
- Exemption from customs duty on equipment
- Free repatriation of profits, dividends and capital
- No minimum foreign capital required
- 50% annual allowance on declining balance for the purchase of electronic and computer equipment
- An extensive tax treaty network with several countries.

Numerous multinationals today use the country as a conduit to emerging economies, especially India and China. State-of-the-art telecommunications facilities link the island to major world capitals around the clock. Transport links to the island are extensive, with air and sea links to both the main European Cities and the Far East. The travel time across the island is very short (between 30 and 60 minutes) depending on destination.

An array of well-established restaurants, hotels and leisure activities provide options for all tastes and generally all establishments are of a very high standard catering for both the high demands of the business sector as well as the discerning tourist. As such, visitors and expatriates will find an incredible amount of options for leisure facilities to cope with the demands and interests of the very cosmopolitan populations in all the islands - not least of course the high quality golf courses and wide variety of water based activities.

Government and legal system

The constitution of the country, which is based on the British parliamentary democracy, establishes a strict separation of powers between the three arms of government – the Legislative, the Executive and the Judiciary. The President of the Republic, who is elected by the National Assembly, is the Head of State. Executive power rests with the Prime Minister and a cabinet of around 20 Ministers. The National Assembly is the supreme legislative body.

The main sources of law in Mauritius are the Constitution, the statutes (including regulations), the Criminal Code, the Civil Code, the Commercial Code, the Code of Civil Procedure, case law, and international treaties.

Independence of the judiciary is guaranteed by the Constitution. The Supreme Court, which is the highest judicial authority, is a superior court of record and the principal court of civil and criminal jurisdiction. The Constitution has maintained the right of

appeal against final judgements of the Supreme Court to the Judicial Committee of the Privy Council of UK, as Mauritius remains a member of the Commonwealth.

Language and climate

English is the official language. French is extensively used and Creole is widely spoken. Asian languages also form part of the linguistic mosaic.

Mauritius has a maritime climate, tropical during summer and sub-tropical during winter. The summer months extend from November to April and winter from May to October. In the centre of the island, the temperature varies between 13°C and 19°C in July - August, and between 19°C and 25°C in January. Along the coast, the temperature is about 5°C higher.

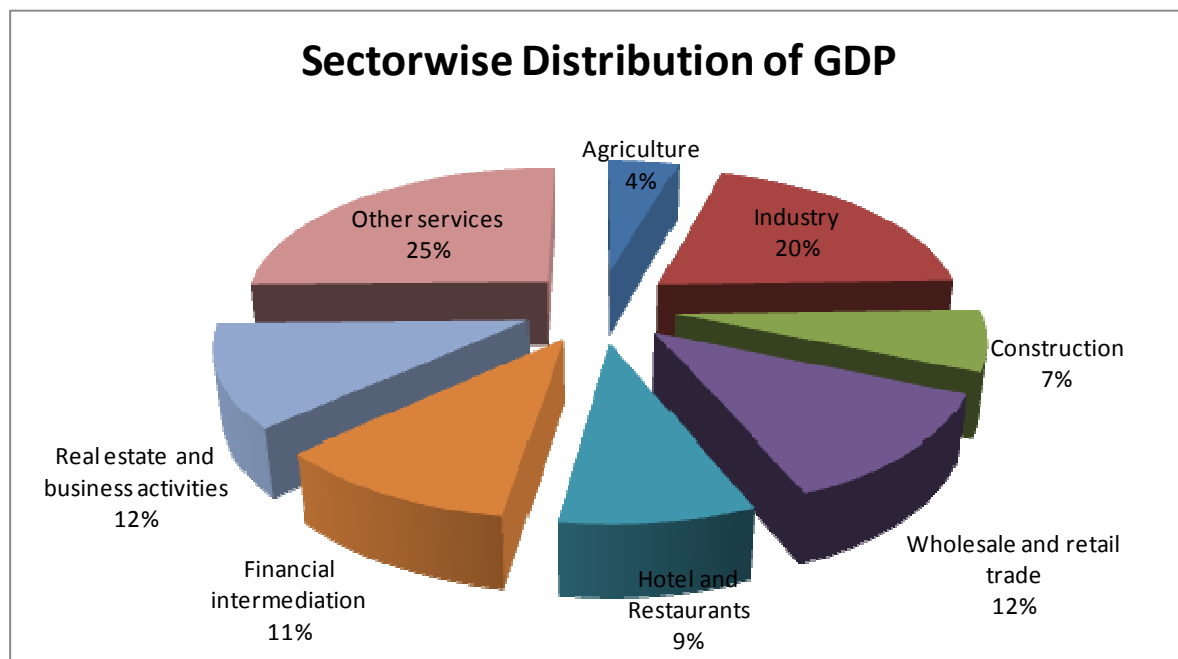
Currency and time zone

The local currency is the Mauritian Rupee (1 USD = Rs 31.32 as at July 2009). Mauritius is four hours ahead of GMT.

2. Main Economic Sectors

Gross Domestic Product²

Mauritius has one of the highest GDP in Africa, with an annual GDP per head of US \$ 5,883 in 2008 and an average growth rate of over 5% in recent years. The sectoral contribution of the various sectors to GDP in 2008 was as follows:



² Source: Central Statistical Office

Main economic indicators (2008)

Currency (July 2009) Mauritian Rupee (MUR) 1 USD = MUR 31.32
1 Euro = MUR 44.24
1 GBP = MUR 51.81

GDP	USD 7.47 billion	
Real GDP Growth	5.3%	
GDP per capita	USD 5,883	
GDP breakdown	Agriculture	4.4%
	Industry	20.1%
	Construction	6.9%
	Wholesale & Retail Trade	12.3%
	Real Estate & Business Activities	11.5%
	Hotels & Restaurants	8.6%
	Financial Intermediation	10.9%
	Other Services	25.3%
Inflation	8.8%	
Main export partners	UK (33%), France (20%), US (15%), Madagascar (5%), Italy (4%)	
Main import partners	South Africa (11%), China (9%), India (9%), France (9%), Bahrain (5%), Japan (4%)	

The main sectors of the economy

Agriculture

The sugar industry represents over 60% of the agricultural sector in Mauritius and was, at one time, the backbone of the economy. However, with the erosion of preferences which Mauritius had hitherto enjoyed on its sugar exports to the European Union, the sugar sector is diversifying away from the export of raw sugar to focus on the production of value-added sugar, electricity and ethanol.

The production of flowers (e.g. anthurium) and tropical fruits (such as mango, pineapple, etc.), the processing of fruits and vegetables and animal husbandry are amongst the non-sugar activities favoured by entrepreneurs.

The manufacturing sector

Textiles

The textile sector is a significant component of the manufacturing sector in Mauritius. In the face of the threat posed by the end of preferential access of Mauritian textile products to export markets, the sector has re-engineered itself, by moving away from basic products to the higher end of the value chain. Main products exported to the EU, Africa, USA and Asia are pullovers, textile yarn, fabrics (including jeans fabrics) and jeans.

In order to consolidate the textile sector and broaden the manufacturing base, a range of incentives, including the free repatriation of profits and duty-free import of inputs and machinery, are offered to investors.

Investment opportunities are available in:

- Knitting
- Dyeing and value-added finishing
- Manufacturing of value-added woven and knitted garments
- Testing and certifying laboratories
- Design and fashion institutes
- Manufacture of footwear, belts and handbags
- Cotton spinning and weaving
- International textile logistics services.

Non-textiles

Sectors, other than textiles, which present favourable investment opportunities for investors include:

- Electronics - assembly of electronic products, such as computer components, laptops and household appliances;
- Micro-mechanics and precision mechanics - manufacture of minute precision-sets for the electronics, aeronautics and defence industries;
- Clock and watch making - assembly and production of parts and accessories;
- Precision plastics - manufacture or assembly of precision parts in plastic for a variety of industries (automotive, defence, medical, telecommunications etc.);
- Energy production - production of energy from renewable sources;
- Agro-industry- Processing of fruits and vegetables, dairy products, precooked foodstuffs;
- Jewellery - Mauritius has acquired international recognition for the craftsmanship of its jewellery and the precision of its diamond cutting and polishing.

Hospitality and property development

Mauritius is perceived as an up-market tourist destination and attracted 930,000 tourists in 2008. With the liberalisation of air access and other measures, Government has set an ambitious target of 2 million tourists by the year 2015. Thus, tourism is likely to remain a pillar of the economy.

In the wake of the forecast growth in tourism and the overall policy of opening up the Mauritian economy to the outside world, significant investment opportunities exist in the development of new hotel projects and ancillary facilities, including:

- Marinas
- Up-market business hotels
- Shopping malls
- Office buildings, business and industrial parks
- Gaming resorts
- Health tourism facilities
- Amusement parks.

The Integrated Resort Scheme (IRS)

The IRS is a property development scheme, involving the creation of luxury villas of high standing and first class amenities and facilities, located within an integrated resort area. Amenities / facilities include a golf course, marina, individual swimming pools, nautical and other sports activities, health centre etc. The project must also cater for day-to-day management services to residents, including security, maintenance, gardening, solid waste disposal and other household services.

The IRS opens a window of opportunities for international and local property developers. It is also a scheme which allows non-nationals to acquire residential property in Mauritius and to become Mauritian residents.

The matters listed below are relevant to IRS projects:

- The extent of land in respect of each villa is restricted to a maximum of 0.5276 hectare (5,276 square metres);
- The minimum investment to acquire a residence (including the land) is US\$500,000, inclusive of a fixed registration duty of US\$70,000;
- Non-citizens who acquire immovable property for residence under the Scheme and their spouse and dependants are granted the status of resident in Mauritius as long as they hold the property;
- No land transfer tax is payable by the owner of land and no Registration duty is payable by the developer of the project upon the transfer of land to a company holding an investment certificate;

- When the developer of the project transfers immovable property, a 5% land transfer tax is payable by the transferor and a US\$70,000 Registration duty is payable by the transferee;
- Non-citizens do not require special approval to acquire an immovable property under the Scheme.

The following persons are eligible to acquire property under IRS:

- (a) a non-citizen of Mauritius;
- (b) a citizen of Mauritius;
- (c) a company registered as a foreign company under the Companies Act 2001;
- (d) a company incorporated under the Companies Act 2001;
- (e) a 'société', where its deed of formation is deposited with the Registrar of Companies;
- (f) a trust, where the trusteeship services are provided by a qualified trustee licensed by the Financial Services Commission. An entity holding a Global Business Licence is not authorised to acquire property under IRS.

The Real Estate Scheme (RES)

The RES is a property development scheme, smaller in scale than IRS, involving the construction of any mix of residences within a development area of less than 10 hectares, endowed with commercial and leisure facilities.

The RES also provides opportunities for non-citizens to purchase residential property in Mauritius, but does not grant resident status to its owner, unless the value of the property acquired under the RES is at least USD 500,000. The scheme targets mainly foreign investors, professionals and retirees who invest, work and live in Mauritius. It may also be attractive for foreigners wishing to have a secondary residence or to spend holidays in Mauritius.

A non-citizen can purchase a property under the RES on the basis of a plan during the construction phase or when the construction works have been completed. The buyer has to pay a registration duty of USD 25,000 upon acquisition of the residential property.

A local or foreign company incorporated under the Companies Act 2001, a 'société' or a trust can also purchase a residential property under RES. However, an entity holding a Global Business Licence is not authorised to acquire property under the scheme.

Financial services

The financial services industry comprises the banking sector (which is regulated by the Bank of Mauritius) and the non-banking sector (which is regulated by the Financial Services Commission). Both sectors enjoy world-class repute and adhere to the latest international standards (FATF, Basel, IOSCO and IAIS) aimed at combating money laundering and the financing of terrorism.

Global Business Sector

Structuring investments in other countries through the Mauritius Global Business Sector presents foreign investors and investment funds with significant fiscal planning opportunities. This is mainly because Mauritius is a low-tax jurisdiction and it has Double Tax Treaties (DTT) with 33 countries. The absence of exchange controls, capital gains tax (CGT) or withholding tax (WHT) in Mauritius enhances further the attractiveness of the Mauritius Global Business Sector to investors.

Around 34,000 Global Business Companies are currently registered, with investments predominantly directed to India, China, the Far East and Africa. Mauritius is the leading financial centre through which funds are invested in India.

The sector is regulated by the Financial Services Commission within a highly efficient legal and fiscal framework, which not only strikes out any risk of money laundering, but which is, also, continuously updated to maintain the attractiveness of the sector.

The treaties currently in force and their respective conditions and fiscal incentives are as follows:

Country	Minimum Duration to constitute permanent establishment		Maximum Tax Rates applicable in the State of Source			
	Building Site etc	Furnishing of services	Dividends	Interest*	Royalties	
1 Barbados	> 6 months	-	5%	5%	5%	
2 Belgium	> 6 months	-	5% & 10%	10%	Exempt	
3 Botswana	> 6 months	6 months	5% & 10%	12%	12.5%	
4 China	> 12 months	12 months	5%	10%	10%	
5 Croatia	> 12 months	-	Exempt	Exempt	Exempt	
6 Cyprus	> 12 months	9 months	Exempt	Exempt	Exempt	
7 France	> 6 months	-	5% & 15%	Note 1	15%	
8 Germany	> 6 months	-	5% & 15%	Note 1	15%	
9 India	> 9 months	-	5% & 15%	Note 1	15%	
10 Italy	> 6 months	-	5% & 15%	Note 1	15%	
11 Kuwait	> 9 months	-	Exempt	Exempt	10%	
12 Lesotho	> 6 months	6 months	10%	10%	10%	
13 Luxemburg	> 6 months	-	5% & 10%	Exempt	Exempt	
14 Madagascar	> 6 months	-	5% & 10%	10%	5%	
15 Malaysia	> 6 months	-	5% & 15%	15%	15%	
16 Mozambique	> 6 months	6 months	8%, 10% & 15%	8%	5%	
17 Namibia	> 6 months	6 months	5% & 10%	10%	5%	
18 Nepal	> 6 months	6 months	5%, 10% & 15%	10% & 15%	15%	
19 Oman	> 6 months	-	Exempt	Exempt	Exempt	
20 Pakistan	> 6 months	-	10%	10%	12.5%	
21 Rwanda	> 12 months	12 months	Exempt	Exempt	Exempt	
22 Senegal	> 9 months	9 months	Exempt	Exempt	Exempt	
23 Seychelles	> 12 months	6 months	Exempt	Exempt	Exempt	
24 Singapore	> 9 months	-	Exempt	Exempt	Exempt	
25 Sri Lanka	> 9 months	-	5% & 15%	Exempt	Exempt	
26 South Africa	> 6 months	6 months	10% & 15%	10%	10%	
27 Swaziland	> 6 months	6 months	7.5%	5%	7.5%	
28 Sweden	> 6 months	-	5% & 15%	15%	15%	
29 Thailand	> 6 months	6 months	10%	10% & 15%	5% & 15%	
30 Uganda	> 6 months	4 months	10%	10%	10%	
31 UAE	> 12 months	12 months	Exempt	Exempt	Exempt	
32 United Kingdom	> 6 months	-	10% & 15%	Note 1	15%	
33 Zimbabwe	> 6 months	-	10% & 20 %	10%	15%	

Note 1: same as under domestic law.

* Where interest is taxable at rate provided in the domestic law of the State of source or at reduced treaty rate, provision is usually made in the treaty to exempt interest receivable by a Contracting State itself, its local authorities, its Central Bank/all banks carrying on bona fide banking business and any other financial institutions as may be agreed upon by both Contracting States.

Stock exchange

The Stock Exchange of Mauritius is viewed as one of the emerging exchanges in Africa and has attracted a number of foreign investors. Non-citizens need no approval to trade in shares of listed Mauritian companies.

Clearing and settlement of transactions is carried out through a computerised platform, the Central Depository System, while trading in securities by local and foreign investors is conducted through the SEMATS (SEM Automated Trading System), a network of dedicated work-stations located at stock-broking firms.

Logistics and Distribution – The Freeport Sector

The Mauritius Freeport is a commercial free zone which covers a surface area of more than 120, 000 square metres in the vicinity of the port and of the airport. The infrastructure includes dry warehousing spaces, cold rooms, processing units and business centres built according to stringent international norms and supported by highly efficient and cost-effective logistical facilities. The cold storage facilities are the largest in the Indian Ocean.

The Freeport sector has the ambition of transforming Mauritius into a regional hub between Asia and Africa. Goods transiting through the Freeport of Mauritius are exempted from customs duties. Bulk-breaking, re-assortment, processing and assembly can be carried out in the Freeport before the products are re-exported to the Southern, East African and Indian Ocean markets.

Significant opportunities exist for export-oriented enterprises to use the Freeport for trading activities. Other opportunities include ship building, ship and airplane repair, maintenance and storage of empty containers, quality control and inspection, freight forwarding and the development of logistics for leasing operations.

Information and Communication Technologies (ICT) sector

The telecommunications industry (mobile telephony, international calls or the Internet) is fully liberalised and has attracted multinational companies, e.g. Chinese giant Huawei, which are using Mauritius as a springboard to benefit from opportunities in the regional markets.

To achieve its objective of transforming Mauritius into a Cyber Island, the Government has invested massively in the latest technological infrastructure and has developed an appropriate legal and regulatory framework for the ICT sector.

Offering global connectivity at competitive rates has also been a priority. Mauritius is connected to the SAFE / SAT3 / WASC submarine fibre optic cable system, which

provides high bandwidth international connectivity and an alternative high-speed link to the existing satellite route. Advanced telecommunications services include Wi-Fi technology and 3G mobile telephony.

A Cyber city has been created on 64 hectares of land at Ebène, which is 40 minutes drive from the airport. This integrated technology park comprises two intelligent towers, a residential and recreational complex, a commercial centre with restaurants and a hypermarket.

Prestigious names such as IBM, Microsoft, ORACLE, HP or Infosys have already established a presence in the ICT sector in Mauritius.

Business Process Outsourcing (BPO) activities are at the forefront of the development of this sector. Activities, outsourced by foreign enterprises and accounting firms to Mauritian-based enterprises, include not only the traditional tasks of payroll administration, processing of receivables and payables, capture of accounting data and accounts preparation, but also innovative projects in areas such as financial analysis, market research, insurance underwriting and claims processing, biomedical research and web design.

The sector has also seen the emergence of companies which specialise in software development (Infosys was among the first entrants), call centres for both inbound and outbound calls, web-enabled activities, disaster recovery centres and a number of other ICT-related services.

Opportunities also exist in digital media and entertainment, including the setting up of studios and processing laboratories, the development of locations for film shooting, the training of artists and technicians and film dubbing.

The ICT sector is regulated by the Information and Communication Technologies Authority, which has established a legal framework governing copyright ownership, the validity of electronic transactions and infringements to laws involving computer misuse and cyber crime.

The Seafood Industry

Capitalising on its Exclusive Economic Zone of 1.9 million square kilometres and the infrastructural facilities of its port and Freeport area, Mauritius is committed to the development of a seafood and marine industry. A recent study showed that 23% of the annual catch of tuna in the world is from the Indian Ocean.

The port of Mauritius offers facilities for fishing vessels, ranging from 15 metre boats to super seiners and reefer carriers of over 100 metres, to berth the quays. The Mauritius Freeport provides the required infrastructural support for processing activities, including cold room facilities exceeding 80, 000 m³, for the storage of fresh, chilled and frozen products.

Investors can take advantage of the following opportunities:

- Tuna transshipment - the port is equipped with the logistics for transshipment of tuna and demersal fish;
- Seafood processing activities - grading, sorting, cutting, filleting, loining, canning and packaging of fish products for re-export to the European Union, Japan and other markets;
- Aquaculture and fish farming - can be carried out at several sites within and outside the lagoon all around the island. The tropical waters favour the breeding of Barramundi, Red Drum and other species;
- Ancillary services - repair and assembly of tuna purse seine nets, bunkering, ship building, ship repairs, health certification etc;
- Land Based Oceanic Industry - desalination and bottling of water extracted from the Global Conveyor Belt, located 1 000 metres deep, to produce mineral water with health properties for use in the manufacture of pharmaceutical products. Other uses include air conditioning of hotels, residential and commercial buildings as well as in thalassotherapy.

Biomedical Industry

Mauritius has the ambition of becoming a centre of excellence in the high-tech medical and biotechnology fields. Recent developments in this sector include a joint venture between India's Apollo Hospitals and local investors to launch a multi-speciality healthcare centre and the acquisition of a stake in a major clinic by Fortis Healthcare, an international group.

The factors which have triggered interest in the biomedical industry in Mauritius include the existence of an adequate pool of medical and paramedical professionals, the introduction by tour-operators of packages which include healthcare and a range of fiscal and non-fiscal incentives.

Investment opportunities exist for the setting up of healthcare centres and medical research laboratories and the manufacture of pharmaceutical / healthcare products and medical equipment.

The Knowledge Industry

Capitalising on its modern infrastructure, bilingualism and telecommunications network, combined with its natural beauty, its reputation as a safe destination and its cultural links with Africa, Asia and Europe, Mauritius has the ambition of becoming a knowledge hub in the region.

An ever increasing number of international tertiary educational institutions have already established branches, affiliate colleges and universities on the island. Multinationals have also set up training centres.

Investment opportunities include the setting up of more tertiary institutions, medical colleges, ICT institutions, business and language schools, research centres and training centres for the hospitality sector.

Membership of international organisations

Mauritius is a member of several international organisations, including the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC). Membership of these two blocks provides a window of opportunity to target markets of 425 million consumers.

3. Foreign Investment

The attractiveness of Mauritius

The main factors which attract foreign investors to Mauritius are:

- It has an efficiently regulated financial services centre committed to investor's protection with a progressive regulatory framework modeled on the industry's best practice principles and compliant to internationally accepted norms of supervision including those of the Basle Committee on Banking Supervision;
- It has robust anti-money laundering and anti-corruption laws;
- It has a committed jurisdiction cooperating with such organisations as OECD, FATF and the UN and its agencies. Guaranteed confidentiality for those engaged in legitimate business through express provision and customary laws governing relationships between banks and customers and between professionals and clients;
- There is no exchange control. Free repatriation of profits with no withholding tax on dividends, royalties and interests;
- The population is bilingual in English and French. Arabic, Hindi, Mandarin, Tamil and Urdu are widely spoken;
- Mauritius benefits from a large pool of readily available graduates, qualified lawyers and accountants. Most Mauritian barristers have been called to the Bar both in the UK and Mauritius. Professional accountants are mostly members of UK professional bodies such as the Institute of Chartered Accountants in England and Wales (ICAEW) and the Association of Chartered Certified Accountants (ACCA);
- The business environment is well regulated: Financial Services Commission for the non-banking financial services institutions, Bank of Mauritius for banks, deposit taking institutions and foreign exchange dealers, Mauritius Institute of Professional Accountants for professional accountants, Financial Reporting Council for auditors and Mauritius Institute of Directors for promoting good corporate governance;
- Political stability guaranteed by parliamentary democracy based on the Westminster model with elections held every 5 years;

- It has a hybrid legal system based on English and French laws. The Highest Court of Appeal is the Privy Council in the U.K;
- It has an array of well established financial institutions (Barclays, HSBC, State Bank of India, Deutsche Bank, Standard Bank, Standard Chartered Bank, Investec Bank, Bank of Baroda, Thomas Cook, Western Union) and an international stock exchange;
- It is situated in a strategic time zone (GMT+4). Business can be conducted with the Far East in the morning, Europe around mid-day and USA in late afternoon;
- It is member of the International Court of Justice, the International Centre for Settlements of Investment Disputes and the Multilateral;
- Over 40 international flights daily connect the country to major European, African and Asian cities served by renowned airlines (British Airways, Air France, Virgin Atlantic, Emirates, South African Airways);
- It has state-of-the-art telecommunication facilities and connected to the SAFE fibre optic network. Heavy investments under way to develop the country into a cyber island;
- It has a palette of renowned international and local hotels including 5 Stars such as Hilton, Movenpick, Le Meridien, Sheraton, Oberoi, Taj, One & Only, Intercontinental;
- It offers an unmatched lifestyle with world class education and healthcare facilities, an unspoilt natural environment, pleasant climate all year round and relatively low living and administrative costs;
- Foreigners can invest freely in listed companies, Integrated Resort Scheme (IRS), Real Estate Scheme (RES) and Hotel Invest Scheme (HIS).

The number of international accolades won by Mauritius is summarised in the table below:

Survey	Year	Institution	Ranking
Doing Business Survey	2009	World Bank	24/181 – 1 st in Africa
World Index of Economic Freedom	2008	Heritage Foundation & Wall Street Journal	18/157
Global Competitiveness Index	2008	World Economic Forum	57/134
Global Corruption Perception Index	2008	Transparency International	41/180
International Property Rights Index	2008		39/115
Press Freedom Index	2007		25/157
Democracy Index	2008	Economic Intelligence Unit	26/167
Global Enabling Trade Report	2009	World Economic Forum	33/121
Quality of Living	2009	Mercer	82/215 and 1 st in Afrca

In the AT Kearney Global Services Location Index 2007, the Mauritius global business platform is listed amongst the world's top 25.

African Business Awards selects Mauritius for Most Improved Investment Climate Award category.

Mauritius received the Climate Protection Award 2009 bestowed by the United States Environmental Protection Agency in April 2009. The award recognises Mauritius' efforts to accelerate the reduction of the emission of greenhouse gases as well as ensure the implementation of the Kyoto Protocol.

Political and socio-economic stability

Mauritius has a solid democratic condition within the Commonwealth, an independent judiciary and a sound legal system incorporating French and British law.

Business facilitation measures

Investors can start a business within three working days by complying, on a self-adherence basis, with guidelines laid down by the authorities.

Qualifying foreigners who wish to work or set up a business in Mauritius are granted Residence and/or Occupation permits within three working days under the silent agreement principle.

Mauritius is a low-tax jurisdiction, has no capital gains tax, no foreign exchange control, no capital repatriation restrictions and offers a range of other incentives to foreign investors.

Good standard of living and cultural openness

Mauritius is a safe destination and reputed for the legendary hospitality of its inhabitants, a melting pot of cultures, living in harmony.

Trained and skilled workforce

Mauritius has the highest adult literacy rate in Africa and boasts of a skilled workforce, which is fluent in English and French. Hindi, Mandarin, Urdu are also spoken.

Mauritius also has a big pool of professionals, with qualifications from the University of Mauritius, internationally recognized educational institutions and world class professional bodies. Technical education and training is provided by local specialised institutions, such as the 'Industrial and Vocational Training Institute' and the Hotel School of Mauritius.

Modern infrastructure

Mauritius is endowed with an efficient road network, modern industrial buildings, business parks and a world-class logistics platform at its port and airport. The telecommunications infrastructure offers broadband international connectivity.

Investor protection

Through its membership of the International Court of Justice, the International Centre for the Settlement of Investment Disputes (ICSID) and the Multilateral Investment Guarantee Agency (MIGA), Mauritius has the necessary framework to protect the interests of foreign investors.

The Board of Investment (BOI)

BOI is an agency set up by the Government in order to promote and facilitate foreign direct investment in Mauritius and stimulate domestic investment. The agency is manned by dedicated and qualified professionals and is the first point of contact for local and foreign investors wishing to do business in Mauritius.

BOI also acts as a one-stop shop for the issuance of permits, licences and clearances, in liaison with other Government agencies and departments.

Investment opportunities for foreign investors

Sectors identified by Government as having significant growth potential in the future are:

- Information and Communication Technology
- Manufacturing and Light Processing
- Textile & Fashion
- Logistic & Distribution
- Seafood & Marine Industry
- Land-based Oceanic Industry
- Hospitality and Property Development
- Biomedical Industry
- Health Services
- Media and Digital Entertainment
- Knowledge Industry
- Financial Services

Incentives for foreign investments

Mauritius offers a generous package of incentives to investors for qualifying activities in most of the above sectors. The incentives include:

- A low rate of income and corporate tax of 15%;
- Generous capital allowances;
- Tax free dividends;
- No capital gains tax;
- Exemption from customs duty on equipment and production materials;
- Free repatriation of profits, dividends and capital;
- No prescribed minimum foreign capital;
- An extensive tax treaty network with several countries.

Additionally, 100% foreign ownership is permitted in most instances and business operating costs remain affordable. Total foreign investments³ in Mauritian listed companies as at 30th June 2009 stood at USD 164 million.

Foreigners wishing to live and work in Mauritius

An Occupation Permit is a permit that allows an eligible non-citizen to reside and work in Mauritius for a maximum of three years.

Applications for an 'Occupation Permit' are channelled through the Board of Investment (BOI) and are processed within 3 working days. The silent agreement principle applies if no reply is received within the 3 days.

Spouses and dependents of an 'Occupation Permit' holder are eligible to apply for a "Residence Permit". They can also work in Mauritius if they satisfy the eligibility criteria for obtaining an 'Occupation Permit'.

An application for an occupational permit can be made under any of these three categories: Investor, Self-Employed or Professional.

Non-citizens holding an Occupation Permit may apply for Permanent Residence at the expiry of their Occupation Permit. A Permanent Residence is given for a period of 10 years only.

Holders of a permanent residence permit are eligible to acquire property for residential purposes.

The table below sets the minimum qualification levels for Occupational Permit and Permanent Residence.

Category	Occupation Permit	Permanent Residence
Investor	Turnover > Rs 3m ⁴ per annum	Turnover > Rs 15m per annum
Self Employed	Income > Rs 600,000 per annum	Income > Rs 3m per annum
Professional	Salary > Rs 30,000 per month	Salary > Rs 150,000 per month
Retired ⁵	US\$ 40,000 per annum	US\$ 40,000 per annum

³ Source: Bank of Mauritius Monthly Statistical Bulletin

⁴ Amount applies per investor

⁵ A Retired non-citizen gets a Residence Permit rather than an Occupation Permit and may apply for Permanent Residence after 3 years

Acquisition of property by non-citizen

A non-citizen who wishes to hold or acquire an immovable property requires an authorisation under the Non-Citizens (Property Restriction) Act. Authorisations are granted, as the case may be, either by the Prime Minister's Office or the Board of Investment and is summarised in the table below:

Acquisition of property by non-citizen		
Certificate of approval from Prime Minister's	Authorisation from BOI	No Certificate of approval
Acquisition of shares in company holding freehold or leasehold immovable property	Acquisition of residential units under Integrated Resort Scheme, Real Estate Scheme or Hotel Invest Scheme	Holding of immovable property for commercial purposes under a lease agreement not exceeding 20 years
Acquisition of immovable property by a person not registered as investor with BOI	Lease of immovable property for more than 20 years for business purposes	Holding of shares in companies which do not own immovable property
Lease of immovable property for more than 20 years by a person not registered with BOI	Acquisition of immovable property for business purposes	Holding of immovable property by inheritance or effect of marriage
Acquisition of property for residence by pilots employed by Air Mauritius	Acquisition of residential property by holders of permanent resident permit	Holding of shares in companies listed on the stock exchange
Lease of immovable property for residence for a period exceeding 4 years		Through a unit trust scheme or any collective investment vehicle

4. Setting up a Business

Public and private companies

Companies can be formed as either a public or private company. A private company cannot have more than 25 members, may restrict share transfers and cannot offer its shares to the public. A company is considered to be a public company unless its constitution or application for incorporation states that it is private.

Company limited by shares

The liability of shareholders is limited to any amount unpaid on their shares. This is the most common form of company.

Company limited by guarantee

Liability of members is limited to the amount that members undertake to contribute to the assets of the company in the event of winding up.

Company limited by both shares and guarantee

The life of such a company is limited to a period not exceeding 50 years from the date it is incorporated, but can be extended to a maximum of 150 years.

Unlimited company

The liability of members is not limited.

Incorporation procedures

A company can be incorporated with a single shareholder, without a Constitution and no minimum paid-up share capital, within 3 working days. Incorporation is by application to the Registrar of Companies, following a name reservation, and payment of the prescribed fee.

Foreign company or branch of a foreign company

A foreign company must register a branch in Mauritius within one month of establishing a place of business in Mauritius. Registration is obtained from the Registrar of companies upon submission of the prescribed documents, e.g. certificate of notice of reservation of name and an authenticated copy of the certificate of incorporation of the company and of its constitution, and upon fulfilling criteria laid down in the Companies Act 2001, which includes the appointment of two local authorised agents.

Partnership

A partnership is an association formed by two or more partners for a specific purpose.

Global Business Sector Entities

Management companies (MC)

MCs are specially licensed by the Financial Services Commission (FSC) to provide services such as company formation, trusteeship and administration and management to the Global Business Sector. Applications for a Global Business Licence must be channelled through a MC which is required to exercise due diligence and perform Know Your Client (KYC) duties on its clients.

Applications for licences are processed and approved by the FSC.

A qualified global business is either a corporation holding either a Category 1 (GBC1) or a Category 2 (GBC2) Global Business Licence delivered by the Financial Services Commission of Mauritius.

Mauritian entities carrying on global business enjoy a large number of fiscal and other incentives, the more important ones are summarised below:

- Global Business Category 1 companies are liable to pay tax at 15% on net operating income with credit for actual foreign tax paid or if lower deemed tax paid on foreign source income, which reduces the effective tax rate to a maximum of 3%;
- Trusts are at par with other corporations and thus benefit from the Mauritian double tax treaty network;
- Trusts may elect for tax exemption;
- GBC2 companies are tax exempt;
- There are no other "hidden costs" such as stamp duties or levies;
- No withholding taxes are levied on dividends, interests and royalties;
- Capital gains on disposal of securities and other movable property are exempted from taxation;
- Inheritance of shares is not subject to estate duty or cumbersome formalities;
- Expatriate employees pay income tax at a maximum of 15%;
- Global business companies can secure occupation and residence permits for employees earning USD1000 monthly;
- No exchange control.

Category 1 Global Business Companies (GBC1)

GBC1 must not have transactions with Mauritian residents or in Mauritian currency. No minimum capital is prescribed and GBC1 can have only one shareholder, but the shareholder must not be resident in Mauritius. Activities of GBC1 include:

- Aircraft financing and leasing
- Assets management
- Consultancy services
- Employment services
- Financial services
- Funds management
- Information and communication technologies
- Insurance
- Licensing and franchising
- Logistics and or marketing
- Operational headquarters
- Pension funds
- Ship and ship management
- Trading
- Any other activity approved by the FSC.

Provided they demonstrate that their management and control is in Mauritius, GBC1 are regarded as tax-resident in Mauritius and can take advantage of Double Taxation Avoidance Treaties (DTAs) between Mauritius and other countries. DTAs normally provide for a preferential rate of withholding tax on payments (e.g. dividends, interest, royalties, technical and other fees) made by investees in the “DTA country” to the GBC1. GBC1 are taxed at 15% less tax credits such that the effective tax rate is a maximum of 3%. They are not subject to Capital Gains Tax (CGT), as there is no CGT in Mauritius.

Indicative criteria to be fulfilled by GBC1, to show that their management and control is in Mauritius, include:

- minimum of 2 resident directors capable of exercising independence of mind and judgement;
- holding of board meetings in Mauritius and demonstrating that central management and control is in Mauritius;
- maintenance of all accounting records;
- the use of local bankers;
- local substance is supported by having local corporate secretary and administrators, auditors, and office facilities and staff.

GBC1 are required to file annual audited financial statements prepared in accordance with International Accounting Standards or other Internationally Accepted Accounting Standards with the FSC.

The names of the beneficial owners of a GBC1 are known only to the MC and the FSC. Both have a duty of confidentiality, but the veil can be lifted, if there are suspicions of fraud, money laundering or drugs and arms trafficking.

Category 2 Global Business Companies (GBC2)

The GBC2 is a tax exempt, low cost vehicle but does not benefit from the Mauritian tax treaties. The key characteristics of a GBC2 are:

- a GBC2 should have a registered office and agent in Mauritius, and its register of members, directors and secretary must be filed;
- corporate director is permitted;
- bearer shares are not allowed;
- there is no minimum capital;
- minimum number of shareholder/director – one;
- board meetings may be held in or outside Mauritius but the latter may impact the tax residency;
- bank accounts can be held in Mauritius or elsewhere;
- there is no requirement for any filing of audited financials but only a financial summary with the Registrar of Companies;
- a foreign company may be redomiciled if the foreign law so permits and thereafter continue as a Mauritian global business company.

The main characteristics of GBC1 and GBC2 are summarised in the table below:

	GBC 1	GBC 2
Resident for tax purposes?	Yes	No
Business with residents?	Limited	No
Corporate shareholders	Yes	
Audit of accounts	Yes in accordance with ISA	No
Filing of audited accounts with FSC?	Yes within 6 months	No
Minimum number of directors for Tax Residency Certificate	2	
Corporate directors?	Not allowed	Allowed
Bearer shares	Not allowed	Not allowed
Minimum share capital	No (except for insurance companies and Funds)	No
Shareholders may be Mauritian residents?	Yes	No
Board meetings may be held outside Mauritius?	No	Yes
Tax rate	15% (effective tax rate is maximum of 3%)	0%
Withholding tax on dividends, interests and royalties	No	No
Incorporation Fees to Registrar of Companies	Rs 2,000 for a private company; Rs 9,000 for a public and foreign company	USD 65
Annual registration fees to Registrar of Companies	Rs 6,000 for a private company; Rs 9,000 for a public and foreign company	USD 65
Processing Fee to FSC	USD 500	Nil
Annual Fee to FSC	USD 1,500	USD 135

Banks

The supervisory and licensing body of all banks is the Bank of Mauritius which is the Central Bank. The Central Bank monitors the capital and liquidity ratios of banks which otherwise may transact business freely. Banks are required to maintain separate accounts for resident and non-resident clients.

Offshore Insurance Companies

Licences and permits are granted by the FSC. Operations of offshore insurance companies include captive insurance business and are supervised by the Insurance Division of the FSC.

Ship Registration

Ships and cargo vessels can be registered with the Director of Shipping under the Merchant Shipping Act and may sail the Mauritian flag.

Aircraft Registration

A global business company may be used for holding an aircraft and for mortgages and leases of aircraft. Corporate and private executive jets, helicopters, aircraft leased to public transport undertakings and white tailed aircraft awaiting leasing or sale, engine spare parts, and flight simulators can be registered in Mauritius.

Uses of Mauritius

Some possible uses of Mauritius to prospective global business investors are as follows:

Banks

International banks may establish banking companies in Mauritius either as locally incorporated companies or as branches of overseas companies. Profits arising from non-resident clients segment attract a lower effective rate of taxation of 5%.

Mauritius has a simplified licensing procedure and has no restriction on repatriation of profits. Banking secrecy is strictly observed within the framework of the Banking and the Financial Intelligence and Anti-Money Laundering Acts.

The excellent telecommunication system enhances the efficiency with which international banking operations are carried out from Mauritius.

Offshore Funds

Mauritius is recognised as a leading regional centre for offshore fund structuring and administration, for investment particularly in Indian, Asian, Middle East and African countries. The Companies and Securities Act and Rules permit establishment of open and closed ended schemes, retail, professional, hedge and venture capital funds. Unit trust and partnership schemes and foreign recognized schemes may be registered in Mauritius. Funds may also be established as protected cell companies, the benefits of which are described below.

Government encourages the setting up of local fund management and advisory companies. Low cost professional and administration support combined with treaty benefits enable efficient operation of funds from Mauritius.

Insurance Companies

Owing to tax incentives offered, quick registration procedures, low running costs and a well developed infrastructure, Mauritius is especially suitable for the establishment of offshore captive insurance and reinsurance companies.

A captive insurance company can either be:

- a wholly owned or controlled subsidiary of an industrial or commercial group established for the purpose of participating in the risks of the group, or
- an association of unrelated companies or individuals with the aim of insuring their risks.

Protected cell company (PCC)

Special legislation permits segregation of assets and related liabilities within a company into cells and limits the claim of a creditor against assets of the cell it has contracted with. This overcomes the problem encountered with an umbrella fund company whereby the excess liabilities of a sub-fund can be set-off against the assets of the entire company. The ring-fencing of claims is possible for offshore funds, captive insurance companies and investment holding companies. The PCC also simplifies administration and reduces costs of operation.

Incorporation and licensing procedures of a PCC are similar to those which apply for a GBC1.

Shipping Companies

Mauritius was an automatic landing choice for sea travellers between South Africa and Asia. It has a rich nautical history.

Present day shipping activities include ship owning, bare-boat chartering and the operation of ships in international waters. Vessels of any type may be registered in the Mauritian Register of Ships. Registration may be initially provisional, permanent or parallel. Mortgages in the British current account style, may be registered with the Registrar of Mortgages.

Owing to competitive registration costs, low annual fees, flexible regulations, international relations of Mauritius, free movement of foreign currency and a nil tax rate, ship-owning companies will find in Mauritius a highly beneficial location for a flag.

Trusts

Mauritius offers an ideal legislative framework and conditions for the creation of trusts and their administration. They are governed by the Trusts Act 2001. Trusts do not require registration thus providing absolute confidentiality. Trusts can be used to:

- safeguard assets against bankruptcy if timed carefully;
- achieve an orderly distribution of the settlor's assets after his death, including the holding of assets for minors until they reach majority;
- rearrange beneficial ownership of assets;
- avoid inheritance laws in the country of residence;
- accumulate income and protect assets;
- manage pension funds and investments generally;
- provide for charitable giving.

Asset Protection Companies

These provide a convenient and confidential structure for the ownership of assets worldwide. Assets may include real estate, stocks/shares, works of art or jewellery. The arrangement while remaining confidential, provides a legal means of sheltering assets from taxation and/or other encumbrances.

Holding and Management Companies

Mauritius can be an excellent centre to form and operate holding structures. Holding and investment companies may be used advantageously in conjunction with Mauritian double tax treaties, in view of the nil or low withholding tax rates on interest and dividends provided for in the treaties. Most treaties also avoid capital gains tax in the country of investment.

An offshore holding company can be the parent company for companies registered abroad as well as Mauritian registered global business companies.

Trade Invoicing and E-commerce Companies

Where the business consists of buying goods or services in one country and selling them in another, invoicing companies can be useful because they offer:

- the possibility of tax free accumulation of funds;
- a convenient administrative base and a means of trading with areas of political or financial instability;
- substantial savings in labour and tax through the employment of specialists overseas.

Such companies can also be used for transit trade activities in combination with the freeport zone which is operational in Mauritius.

Headquarter Companies

Mauritius offers ideal conditions for the location of regional management and administrative centres of multinational companies throughout the world with interests in the Middle East, East and South Africa, Asia and the Indian Ocean regions.

Property Companies

The use of a global business company for investment in property can be highly beneficial depending on the jurisdiction in which such property is located. Such use can, inter alia, avoid:

- capital taxes on subsequent sale;
- inheritance tax or death duties which would arise if the property was held directly by an individual;
- the need to obtain probate.

Finance Companies

Such companies may take advantage of the Mauritian double tax treaties by providing loans in treaty countries or other countries where withholding tax on interest is low or nil.

Royalty Companies

Owing to the low or nil rate of withholding for royalties provided in most of the Mauritian double tax treaties, establishing a royalty company in Mauritius can also prove very attractive.

The Mauritius Copyright Act provides legal protection for any original work created, written down or recorded in Mauritius. The protection is extended to all countries which are signatories to the Berne Convention.

Service Companies

These companies may provide services such as sales promotion, debt collection, treasury management, accounting functions, consultancy work, recruitment, etc. They may employ expatriate staff who benefit from double tax treaty provisions by paying tax in Mauritius at low rates.

Limited Life Companies

Companies can be incorporated as or converted to Limited Life Companies and where properly adapted can fulfil the functions of a limited partnership. The Limited Life company is widely used for private equity funds and management companies.

Société

Société en Nom Collectif (partnerships) and "Société en Commandite Simple" may be used as vehicles to structure investments in the global business sector. A Société may conduct any qualified global business activities upon obtaining Category 1 Global Business Licence from the FSC, but does not qualify for a Category 2 Global Business Licence.

5. Employment Regulations

Normal working hours

In general, a normal day's work consists of 8 hours and may begin on any day of the week, including a public holiday. A worker and an employer may agree that the employee works in excess of the stipulated hours without added remuneration, if the number of hours covered in a fortnight does not exceed 90 hours, or less as specified in an agreement.

Overtime

A worker who has worked more than 90 hours in a fortnight or less according to the number of hours specified in an agreement, except during a public holiday, is remunerated at one and a half times the notional rate per hour for every hour of work performed.

The number of hours of work is notionally calculated for a monthly paid worker on the basis of 195 hours.

During a public holiday, a worker is remunerated at twice the notional rate per hour for every hour of work performed.

Annual leave

A worker, who has been in continuous employment with the same employer since 12 consecutive months, is entitled during each subsequent 12 months, to 20 working days' annual leave. The worker can also obtain 2 additional days' leave in the case of a collective agreement or an award after arbitration.

Sick leave

A worker, who has been in continuous employment with the same employer for the last 12 consecutive months, benefits from 15 working days' sick leave on full pay during each subsequent period of 12 months of continuous employment. Where, at the end of the period of 12 consecutive months, a worker has not taken his sick leave entitlement, any outstanding sick leave may be accumulated up to a maximum of 90 working days.

(The above paragraphs under "Labour" do not apply to watchmen or part-time workers).

Termination of agreement

If a worker absents himself from work for 3 consecutive working days on a second or subsequent occasion, the employer may consider that the worker has broken the agreement.

An employer is required to give 30 days notice to a worker of the termination of his employment and must therefore state the reasons. Alternatively, the employer can pay the worker the amount he would have earned if he had remained in employment during the period of notice.

Payroll costs

Employers are required to make the following statutory contributions:

- National Pension Fund (NPF): 6 % of basic salary (the employee's contribution is set at 3% and is withheld by the employer), subject to a ceiling;
- Employee Welfare Fund (EWF) and National Solidarity Fund (NSF): 2.5 % of basic salary (the employee's contribution is set at 1 % and is withheld by the employer), subject to a ceiling;
- Industrial and Vocational Training Board (IVTB): 1.5 % of basic salary, with no ceiling and no contribution from employee.

Employees are also normally entitled to an end-of-year bonus equivalent to one month's earnings in December.

Retirement Age

The current retirement age is 65.

Foreign Employment

As stated under "Foreign Investment", qualifying non-citizens can apply for an Occupation Permit which entitles them to work and live in Mauritius. Non-citizens who do not meet the criteria for an Occupation Permit must apply for permits from the Ministry of Labour, Industrial Relations and Employment and the Passport & Immigration Office, before they can take up employment in Mauritius.

Severance allowance

An employer is required to pay severance allowance to an employee who has been in continuous employment with him for a period of 12 months or more, if the employer terminates the employment of the worker.

The amount of severance allowance payable is normally equivalent to $\frac{1}{4}$ of a month's remuneration for every period of 12 months' service in the case of justified dismissal. If unjustified, the amount payable is 3 months' for every period of 12 months' service.

6. Taxation

Scope

Companies and individuals resident in Mauritius are subject to income tax on their worldwide income. Non-residents are subject to income tax on income derived from sources in Mauritius.

An individual is regarded as resident if:

- his domicile is in Mauritius unless his permanent place of abode is outside Mauritius;
- he has been present in Mauritius for a period of or an aggregate period of 183 days or more in any income year;
- he has been present in any income year and the two preceding income years, for an aggregate period of 270 days or more.

A company is resident in Mauritius if it is incorporated and has its central management and control in Mauritius. Broadly similar criteria apply to determine whether sociétés, trusts and other entities are resident in Mauritius.

As from 2010, the fiscal year or income year in Mauritius runs from 01 January to 31 December.

Individuals

Income tax rate

Chargeable income of individuals is taxed at a single flat rate of 15%.

Income Exemption Thresholds (IET)

An individual taxpayer is entitled to personal deductions (renamed IET), the amount of which, is based on the number of dependents of the individual. No other deductions are available to a taxpayer, besides IET.

The IET are as follows, for the income year ended 30 June 2009. Category

	<i>Amount (Rs)</i>
A: An individual with no dependent	240,000
B: An individual with one dependent	350,000
C: An individual with two dependents	410,000
D: An individual with three dependents	450,000
E: A retired person with no dependent	285,000
F: A retired person with one dependent	395,000

A dependent refers to:

- (a) a spouse;
- (b) a child under the age of 18;
- (c) a child over the age of 18 who is either following a full-time course at an educational/ training institution or who cannot earn a living due to physical or mental disability.

Income from employment

Employers must deduct income tax at source, under the PAYE system, from the emoluments (including benefits) paid to employees. The PAYE deductions are remitted by the employer to the Mauritius Revenue Authority (MRA) on a monthly basis.

Income from business and rental income

Individuals deriving income from a business activity or rental income are required to submit returns in respect of their chargeable income and pay income tax accruing thereon to the MRA on a quarterly basis during the income year. The returns cover the quarters ended 30 September, 31 December and 31 March and any tax due must be settled within three months of the end of the respective quarters. The taxpayer must also submit an annual income tax return covering the fiscal year ended 30 June by 30 September and settle any further tax due (if any) at that time.

Chargeable business or rental income is determined as gross income (excluding exempt income) less:

- any expenditure exclusively incurred in the production of that gross income (excluding exempt income);
- capital allowances on assets used for the purposes of the business;
- any losses brought forward from previous years;
- the amount of any personal deductions.

Capital allowances

Rates of capital allowances available to unincorporated businesses are similar to companies and are discussed below.

Losses

Losses arising from business or rental activities cannot be set off against emoluments. They can be set off against other business or rental income in the year in which they arise, with any unrelieved losses carried forward and set off against such income for a maximum of five years.

Companies

Income tax rates

Companies, Trusts, Trustees of Unit Trust Schemes and Non-Resident 'Sociétés' (partnerships), are liable to tax at the rate of 15%.

Manufacturing companies are allowed to claim 25% investment allowance on investments in state-of-the-art technological equipment.

Companies holding an Investment Certificate (ICT Scheme) as at 30 September 2006 will pay tax at a rate between 0% and 15%.

GBC1 are taxed at a maximum effective rate of 3% while GBC 2's are not liable to tax in Mauritius.

Freeport Operators and Private Freeport Developers, depending on the nature of their activities and the date they were awarded a licence, will pay tax between 0% and 15% until 30 June 2011. Thereafter, such companies will be liable to taxation at the rate of 15%.

Capital allowances

Capital allowances, in the form of annual allowances, are available to businesses in respect of their investments in fixed assets. They are computed, on the reducing balance basis or cost, at the following rates:

	% of Base value	% of Cost
Fixed Assets		
Plant & machinery	35%	-
Hotels	30%	-
Computer and electronic equipment	50%	-
Ships or aircrafts	20%	-
Motor vehicles	25%	-
Furniture and fittings	20%	-
Improvement on agricultural land for agricultural purposes	25%	-
Scientific research	25%	-
Golf courses	15%	-
Commercial premises**	-	5%
Equipment and machinery costing Rs 30,000 or less	-	100%
Aircrafts and aircraft simulators leased by a company engaged in aircraft leasing	-	100%
Other items subject to depreciation	-	5%

**Commercial premises include industrial buildings, shops, malls, showrooms, offices, restaurants, places of entertainment and clinics.

Losses

Losses are deductible in the income year in which they are incurred. Unrelieved losses can be carried forward for five years, but this time limit does not apply to any amount of the loss which is attributable to capital allowances relating to capital expenditure incurred on or after 01 July 2006.

Alternative minimum tax (AMT)

Where the *normal tax payable* by a company for an income year is less than 7.5% of its *book profit*, the company should pay 7.5% of its book profit or 10% of dividends declared in respect of that year, whichever is the lesser.

Normal tax payable represents tax payable by the company, calculated on its chargeable income at the applicable tax rate, after adjustment for any tax credit and before deducting foreign tax suffered.

Book profit refers to profit as shown in the financial statements, computed in accordance with internationally accepted accounting practices, adjusted for the following:

- (a) dividend receivable from resident companies
- (b) profit or (loss) on disposal or revaluation of fixed assets*
- (c) profit or (loss) on sale of securities*
- (d) gains or loss on revaluation of securities*
- (e) expenditure attributable to (a), (b), (c) and (d) above.

* In so far as such items are included in the company's income statement.

AMT does not apply in the case of a company which is exempt from tax and a GBC 1.

Advance payment system (APS)

With effect from 01 July 2009, all companies, unit trust / collective investment schemes, resident trusts, non-resident 'sociétés' and any 'société' holding a Category 1 Global Business Licence which has opted to be liable to income tax (collectively referred to as "entities"), are required to account for and pay tax on a quarterly basis.

The chargeable income of a company and the tax payable in respect of an APS quarter may, at the option of the company, be computed under either of the following three methods:

- The chargeable income (CI) is deemed to be 25% of the CI for the accounting year immediately preceding the commencement of that quarter.
- The CI is the difference between the gross income and the allowable deductions for that quarter including any loss brought forward.
- Where a company has been subject to AMT in the preceding accounting year, it may opt for the tax payable in respect of the APS quarter to be either:
 - 25% of the tax paid under AMT; or
 - the amount computed under (B) above.

The APS Statement and payment of tax must be submitted to MRA within 3 months from the end of the quarter to which it relates. The entity must also submit an annual

income tax return covering its accounting year, within six months from the end of its *accounting year*, and settle any further tax due (if any) at that time.

Overseas marketing and promotional expenses

Companies are entitled to a deduction equivalent to total expenditure incurred in respect of overseas marketing and promotional activities over and above the costs already claimed in respect thereof in the profit and loss account.

Tax Deduction at Source (TDS)

Financial institutions and other business entities are required, in certain instances, to deduct tax at source from payments made by them. The payments which fall within the scope of TDS and the rates applicable to such payments are as follows:

- Interest: 15%
- Royalties: 10%
- Rent: 5%
- Payments to providers of specified services: 3%
- Payments to contractors and sub-contractors: 0.75%

In the case of interest payments, TDS is applied by a financial institution, only if the aggregate amount of deposits held by the depositor exceeds Rs 2 million at any time in the income year. There is no minimum threshold in the case of the other payments mentioned above.

Deductions under TDS must be remitted to MRA by 20th of the following month.

National Residential Property Tax (NRPT)

NRPT is payable by every owner of a residential property with a net income of Rs 385,000 or higher. No NRPT is payable on bare land.

In the case of an apartment, flat or tenement, NRPT is calculated with reference to floor area at the rate of Rs 30 per square metre. In the case of any other residential property, the tax is calculated on the surface area of the land at the rate of Rs 10 per square metre.

Value Added Tax (VAT)

Scope and rate

The standard rate of VAT is 15% and the threshold for VAT registration is an annual taxable turnover of Rs 2 million, except for certain business activities (e.g. liberal professions such as accountants, lawyers etc), where there is no minimum threshold.

VAT returns

Businesses with annual taxable turnover of Rs 10 million or more have to submit monthly VAT returns and settle any VAT liability within 20 days of the end of the month. Businesses, with an annual taxable turnover below Rs 10 million, submit quarterly returns and settle any VAT liability within 20 days of the end of the relevant quarter.

Companies operating as polyclinics or providing healthcare services, registered under the Investment Promotion Act, are exempted from VAT on the construction of buildings to be used for providing health services.

Zero-rated and exempt supplies

The VAT Act sets out a long list of supplies which are either zero-rated or exempt. Included, among zero-rated supplies, are export of goods and services and services provided by Management Companies in the Global Business Sector. Exempt supplies include basic foodstuffs, educational and training services and pharmaceuticals.

7. Accounting and Reporting

Financial Reporting Framework

The Companies Act 2001 and the Financial Reporting Act 2004, as amended, set out the legal framework for financial reporting by companies.

Public companies and private companies, except for small private companies, have an obligation to prepare financial statements which comply with International Financial Reporting Standards (IFRS) and which must be audited.

A small private company is defined as a private company, other than a company holding a Category 1 Global Business Licence (GBC 1), with a turnover which is less than Rs 50 million in its last preceding accounting period. Small private companies need not prepare financial statements in accordance with International Financial Reporting Standards and do not require an audit.

A GBC 1 must prepare financial statements in accordance with International Financial Reporting Standards or other Internationally Accepted standards. The financial statements, which are filed with the Financial Services Commission, must be audited.

Regulation of Accountants

The Mauritius Institute of Professional Accountants (MIPA), established under the Financial Reporting Act 2004, regulates the accounting profession in Mauritius.

Professional accountants are required to be registered with MIPA and to be eligible they must be members of one of the accountancy bodies listed under the Financial Reporting Act 2004 or any other body authorized by the Board of MIPA.

To be eligible to undertake public practice, professional accountants must satisfy the post-qualification and other criteria set by MIPA and obtain its authorisation.

Licensing of Auditors

The Financial Reporting Council (FRC), also established under the Financial Reporting Act 2004, oversees the quality of financial reporting by Public Interest Entities (PIE's) and regulates the audit profession in Mauritius.

A PIE is an entity with an annual revenue exceeding Rs 250 million at the end of its preceding accounting year, or one which meets any two of the following conditions:

- (a) It has an annual revenue of over Rs 150 million;
- (b) It employs over 100 persons;
- (c) It has total assets greater than Rs 100 million or total liabilities greater than Rs 30 million.

No person may act as an auditor in Mauritius unless he holds a licence from the FRC.

The National Committee on Corporate Governance (NCCG)

The Financial Reporting Act 2004 also established the NCCG, whose objects are to establish principles and practices and promote the highest standards of corporate governance. The NCCG acts as the national coordinating body responsible for all matters pertaining to corporate governance.

In October 2003, the Code of Corporate Governance for Mauritius was launched. Compliance with the Code, which is based on the OECD Principles, is on a voluntary (comply or explain) basis, and applies to listed companies, banks and non-bank financial institutions, large public and private companies, and state-owned enterprises (including statutory corporations and parastatal bodies).

The Mauritius Institute of Directors (MIOD)

The Mauritius Institute of Directors focuses on the best practice of corporate governance by directors and business leaders. Its vision is *'to be a major driver of effective corporate governance'*.

In addition, it aspires to improve corporate governance practices, and to promote the ethical conduct of business and public affairs, to enhance productivity and efficiency in companies for the benefit of all stakeholders.

Useful Links

The Board of Investment
www.investmauritius.com

The Financial Services Commission
www.fscmauritius.org

The Stock Exchange of Mauritius
www.stockexchangeofmauritius.com

The Bank of Mauritius
bom.intnet.mu

The Mauritius Chamber of Commerce and Industry
www.mcci.org

The Mauritius Revenue Authority
www.mra.mu

The Mauritius Institute of Professional Accountants
www.mipa-mauritius.org

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