

Doing Business in Mauritius

2009



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1. Introduction

UHY is an international organisation providing audit, accountancy, business management and consultancy services through financial business centres in 69 countries worldwide. Business partners work together throughout the network to conduct trans-national operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering a business operation in Mauritius, has been provided by the office of UHY's representative there:

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UHY Heeralall has been established since March 2004 and specialises in audit and assurance, insurance loss adjustment, consulting, business advisory, accounting and tax services. Clients consist of owner-managed, medium and large enterprises operating in a wide variety of business sectors, including Global Business Companies owned by leading overseas corporations and high net worth individuals, and major insurance companies.

Information in the following pages has been updated so that it is effective at the date shown, but inevitably it is both general and subject to change and should, therefore, be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions.

This publication is current at February 2009.

We look forward to helping you do business in Mauritius.

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2. Business environment

Geography and History

Mauritius is an island of 1,865 square kilometres, situated almost in the centre of the Indian Ocean at around 2,000 kilometres off the South East coast of Africa. It has a cosmopolitan population consisting of around 1.2 million inhabitants of African, Chinese, Indian and European descent.

The island was first visited by the Portuguese at the beginning of the 16th century. The Dutch followed in 1598, named the island Mauritius in honour of their Prince, Maurice Van Nassau, and settled until 1710. Five years later, the French took control of Mauritius and stayed until 1810, when the British invaded the island.

Mauritius remained a British colony until 1968, when it obtained its independence from Britain and in 1992 became a Republic within the Commonwealth.

Government and legal system

The country is a parliamentary democracy based on the Westminster model with free and fair elections held every five years and an independent judiciary.

The legal system is a composite of the French Napoleon Code and the British legal framework.

Language and climate

The local language, spoken by all Mauritians, is Creole. English is the official language, but French is as widely spoken and written.

Mauritius has a sub-tropical climate with average temperatures varying from between 17 - 32°C in the summer (November to April) and between 15 - 27°C in the winter (May to October).

Currency and time zone

The local currency is the Mauritian Rupee (1 US \$ = Rs 34.60 as at February 2009).

Mauritius is four hours ahead of GMT.

Gross Domestic Product

Mauritius has one of the highest GDP in Africa, with an annual GDP per head of US \$ 12,000 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:

Agriculture and fishing	4.3 %
Manufacturing	20.2 %
Construction	7.0 %
Wholesale and retail trade	11.6 %
Hotel and Restaurants	8.7 %
Transport, Storage and communications	11.4 %
Financial services	11.0 %
Real estate and business activities	11.6%
Public administration and defence	6.4 %
Education	4.4 %
Health and social work	3.4 %

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)

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)

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 US\$ 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 US \$ 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 over 30 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.

Mauritius has signed DTT's with Barbados, Belgium, Botswana, China, Croatia, Cyprus, France, Germany, India, Italy, Kuwait, Lesotho, Luxembourg, Madagascar, Malaysia, Mozambique, Namibia, Nepal, Oman, Pakistan, Rwanda, Senegal, Singapore, Sri Lanka, South Africa, Swaziland, Sweden, Thailand, Uganda, United Kingdom, Zimbabwe, Seychelles and United Arab Emirates.

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 para-medical 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:

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 recognised 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.

Working and residing in Mauritius

Occupation Permit

Eligible non-citizens can work and live in Mauritius, upon obtaining an 'Occupation Permit' (Combined Work & Residence Permit). Applications can be made under three categories: the investor, the self-employed and the professional categories. The qualifying criteria which apply to each category are as follows:

Category	Criteria
An investor	Expected annual turnover of proposed business > Rs 3 million
A self-employed	Expected gross annual income of business > Rs 600,000
A professional	Applicant must have secured a contract of employment with a basic monthly salary exceeding Rs 30,000

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.

An 'Occupation Permit' is granted for a period of three years. This is restricted, in the case of a professional, to the period specified in the employment contract, if less than three years.

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'.

Applicants who do not satisfy the above criteria, but wish to work in Mauritius, must apply for a 'Work Permit' from the Ministry of Labour, Industrial Relations and Employment and a separate 'Residence Permit' from the Passport & Immigration Office. The application is made by the employer and processing time is at least three weeks.

Residence Permit

Retired non-citizens can apply, through BOI, for a 'Residence Permit', which is valid for a period of three years. To qualify for a 'Residence Permit', the retiree, irrespective of age or nationality, must undertake to transfer to his or her bank account in Mauritius at least US\$ 40,000 annually or the equivalent amount in convertible foreign currency, to meet living expenses.

The spouse and children (under 18) of the non-citizen retiree may also apply for a 'Residence permit'.

Applications are processed within three working days.

Permanent Residence Permit

Non-citizens, who have been resident in Mauritius for at least three years, are eligible for a Permanent Residence Permit. The qualifying criteria are as follows:

- In the case of an investor, annual turnover must exceed Rs 15 million;
- In the case of a self-employed, annual income must exceed Rs 3 million;
- In the case of a professional, basic monthly salary must be at least Rs 150,000.
- In the case of a retired non-citizen, transfers of at least USD 40,000 must have been made every year for three years.

Permanent Residence Permits are granted for a period of ten years only.

Non-citizens who acquire immovable property under IRS (Refer to “main sectors of the economy” under “Business Environment”) are granted the status of resident in Mauritius as long as they hold the property.

Acquisition of property by non-citizens

The Non-Citizen Property Restriction Act restricts the right of non-citizens to acquire property in Mauritius, unless prior approval of the Prime Minister’s Office (PMO) is obtained.

However, PMO approval is not required by non-citizens in the following instances:

- (a) Acquisition of immovable property, subject to BOI approval, intended to be used as personal residence, by holders of permanent residence status;
- (b) Acquisition of immovable property under Integrated Resort Scheme (IRS) and ‘Real Estate Scheme’ (RES), subject to BOI approval ;
- (c) Acquisition of immovable property, subject to BOI approval, to be used only for business purposes, by holders of an ‘Occupation Permit’.

- (d) Acquisition of shares in companies with no immovable property;
- (e) Investments in unit trusts or other collective investment vehicle and acquisition of shares, through normal share dealings, in companies quoted on the Stock Exchange;
- (f) Leasehold interest not exceeding 20 years in immovable property, subject to BOI approval.

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's)**

MC's 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.

GLOBAL BUSINESS COMPANIES

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

Category 1 Global Business Companies (GBC 1's)

GBC 1's must not have transactions with Mauritian residents or in Mauritian currency. No minimum capital is prescribed and GBC 1's can have only one shareholder, but the shareholder must not be resident in Mauritius.

Activities of GBC 1's 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's are regarded as tax-resident in Mauritius and can take advantage of Double Taxation Avoidance Treaties (DTAs) between Mauritius and other countries. DTA's 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 GBC 1. GBC 1's 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 GBC 1's, to show that their management and control is in Mauritius, include:

- Having at least two Mauritian-resident directors with the calibre to exercise independence of mind and judgement;
- Providing for meetings of directors to include at least two directors from Mauritius;
- Maintaining, at all times, its principal bank account in Mauritius;
- Maintaining, at all times, its accounting records at its registered office in Mauritius;
- Making arrangements for the preparation and audit of its Statutory financial statements in Mauritius.

GBC 1's 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 GBC 1 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 (GBC 2's)

A GBC 2 is a company which undertakes any business or other activity which is carried on by a private company:

- (i) incorporated or registered under the Companies Act 2001;
- (ii) which does not conduct business with persons resident in Mauritius nor conduct any dealings in Mauritius currency;
- (iii) which holds a Category 2 Global Business Licence.

GBC 2's are not resident in Mauritius and therefore not liable to tax in Mauritius, but they cannot take advantage of DTA's. Some of the other characteristics of GBC 2's are as follows:

- No minimum capital;
- Minimum number of shareholders / directors – one;
- Shareholders must not be resident in Mauritius;
- There is no obligation to prepare financial statements or to have an audit, but accounting records must be maintained, in Mauritius or elsewhere;
- Shareholders' and Board meetings need not be held in Mauritius;
- Bank accounts can be held in Mauritius or elsewhere;
- A GBC 2 must have a MC in Mauritius, licensed by the FSC;
- The names of the beneficial owners of a GBC 2 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.

Protected cell company (PCC)

A GBC 1 may be structured as a PCC, which is a special legal structure made up of cellular and non-cellular assets. It provides legal segregation of assets attributable to each cell of the company whether owned by individuals or body corporate. The PCC offers a wide range of

applications namely insurance (general, long term, reinsurance, captive) and collective investment schemes.

Incorporation and licensing procedures of a PCC are similar to those which apply for a GBC 1.

Trusts

The legal framework for the setting up of trusts is the Trusts Act 2001. Trusts can be of various types, such as charitable, discretionary, purpose and trading trusts, and can be set up by residents and non-residents, as legitimate and effective instruments for the sheltering of assets.

The Trusts Act provides flexibility as to the legal regime applicable to a trust and allows enforceability of a foreign trust, subject to the proviso that it does not purport to do anything outside the laws of Mauritius or is immoral or contrary to public policy.

A trust may carry on Qualified Global Business upon obtaining a Category 1 Global Business Licence, but cannot apply for a Category 2 Global Business Licence.

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. Labour

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 state the reasons therefor. 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.

The fiscal year or income year in Mauritius runs from 01 July to 30 June.

INDIVIDUALS

Income and corporate tax rates

Chargeable income of individuals and companies are 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 ending 30 June 2009.

<i>Category</i>	<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; and
- (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 the next 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%.

GBC 1's 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:

Capital expenditure incurred on:	% of Base value	% of Cost
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*; and
- (e) expenditure attributable to (a), (b), (c) and (d) above.

(* in so far as such items are included in the company's profit and loss account)

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:

- (A) The chargeable income (CI) is deemed to be 25% of the CI for the accounting year immediately preceding the commencement of that quarter.
- (B) The CI is the difference between the gross income and the allowable deductions for that quarter including any loss brought forward.
- (C) 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:
 - (1) 25% of the tax paid under AMT; or
 - (2) 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 & 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 Accounting Standards 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 30 million in its last preceding accounting period. Small private companies need not prepare financial statements in accordance with International Accounting Standards and do not require an audit.

A GBC 1 must prepare financial statements in accordance with International Accounting 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 three UK Institutes (England & Wales, Scotland and Ireland), the Association of Chartered Certified Accountants (UK), the Institute of Chartered Accountants of India, the Chartered Institute of Management Accountants and the South African Institute of Chartered Accountants.

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.

8. UHY firms in Mauritius

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