

SETTING THE STAGE FOR FUTURE GROWTH

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Mauritius has emerged as one of the most striking investment destinations around the world, thanks to its exquisite business environment and the large number of potential sectors for investment. Sheetal srivastava explores further.

The latest survey from World Bank Doing Business reveals Mauritius as the No. 1 in Africa and 23rd globally, in terms of the business atmosphere, while the Index of Economic Freedom 2011 positions Mauritius 9th globally. This has led companies from around the world to enthusiastically seek investment opportunities in this steadily growing economy. The journey of Mauritius from the sugardominated economy to the respected and sought-after market today tells the story of its success very elaborately.

Mauritius enjoys a strategic location between Asia and Africa, along with a convenient time-zone that coordinates its markets with most of the global economies and aids its business ventures around the world, thus attracting a number of international investment funds, private equities and investment holdings. Apart from this, it also possesses a strong political stature and the fullfledged support of the governments for investors. Its legislation against money laundering and terrorism finance makes it a safe, transparent and trusted investment centre.

A Limited Partnership Act has recently been voted in Parliament to attract more private equities to use the platform for their investments in the region, especially Africa. The 2012 National Budget which Honourable Xavier Luc Duval, Vice Prime Minister and Minister of Finance and Economic Development of Mauritius presented recently, announced the introduction of many new products including Foundations, New Trust Structures as well as Occupational Pension Funds. "During the next three years, we will set growth on a steadier course," he said during the budget. The budget also focuses on further improving the existing conducive and business friendly environment of Mauritius.

With its extensive network of bilateral agreements with major African countries, including Double Taxation Avoidance Agreements (DTAAs) and Investment Protection and Promotion Agreements (IPPAs) signed with 14 and 17 African nations respectively, Mauritius offers a risk mitigating and fiscally efficient financial centre for the structuring, administration and effective management of Africa related investments. While DTAAs allow for efficient tax planning by preventing the same income from being liable to double taxation in both contracting States; IPPAs help in mitigating risks by guaranteeing free repatriation of investment capital and returns to investors from the contracting states as well as shielding investors against expropriation.

Mauritius is undoubtedly an important platform for global investment, with the Southern African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA), the Indian Ocean Rim Countries (IOC), the vast network of DTAAs and IPPAs already signed with African countries, this simply calls for enormous opportunities for Indian companies who are willing to use Mauritius as a platform to invest in Africa and to set up their regional headquarters in the country. In order to strengthen its position as a natural gateway in the India - Africa trade corridor by using all its existing facilities such as Freeport, flourishing financial industry, Mauritius promises Indian investors a safe businesses environment with a robust and sound legal system in place.

Substance has always been part and parcel of the Mauritius operations of Global Business entities that set up in the country. This is because to be able to benefit from the tax treaties, the Global Business entities must be tax resident in Mauritius and such tax residency is achieved only if management and control is in Mauritius. Mauritius has adopted very concrete measures to ensure that substance is already embedded in law as opposed to most other jurisdiction.

The Financial Services Act 2007, for instance, introduced new substance considerations which the Financial Services Commission (FSC) is now, by law, required to take into account in considering an application or a renewal for a Global Business Category 1 (GBL1). The FSC must consider whether the conduct of business will be or is being managed and controlled from Mauritius and in doing so may have regard as to whether the GBL1 have at least two directors resident in Mauritius; maintain at all times its principal bank account in Mauritius; that its accounting records are kept at its registered office in Mauritius and that its statutory financial statements are audited in Mauritius.

Speaking of Mauritius as a platform for Indian companies to invest in Africa, Nishith Desai, legal and tax counsellor, Nishith Desai Associates says, "Mauritius offers the advantage of no taxes on outbound dividends or capital gains on transfer of shares. There are many benefits for Indian companies who are willing to invest in Mauritius. For example, in certain cases, taxes payable by a Mauritius company are available as tax credits in India in the hands of Indian shareholders. Indian banks can get tax exemption in Mauritius on interest received from there. Moreover, the bilateral investment and tax treaties provide an excellent platform for Indian companies to build stronger economic, political and cultural ties with Africa."

With established sectors like Manufacturing and Tourism continuing to expand, many new developing areas like Healthcare, Knowledge, ICT/BPO, Real estate, Renewable Energy, Life Sciences, Financial services, Freeport, etc. are enticing investors into the Mauritian market. World leaders like IBM, Microsoft and HP have set up their regional office on the island. Oracle, SAP and CSS Corp are also present there. The island has also successfully attracted key international players such as Infosys, Satyam and Accenture to set up development centres and conduct BPO activities.

CSS Corp made the strategic decision to open a delivery centre in Mauritius in 2010- 2011. Its major offering is the 'multi-lingual' tech support services for enterprise products/services. "Mauritius was a clear choice for us due to its stability, investor-friendly policies and infrastructure. Further, the government and other stakeholders are putting in place multiple talent development and training initiatives to augment supply. From recruiting to training employees and other operational help, the BOI (Board of Investments) was instrumental in helping us set up our Mauritius office. In this one year of operation, the BOI has been in constant touch with us and regularly counsels us on major policy developments affecting our business, initiate dialogue with the policy makers on behalf of the industry and other operational suggestions. This valuable counsel from the BOI and the talent pool there has helped us strengthen our position as a leading multi-lingual tech support provider in the region," says Shakheel Mohammed Navaz, senior director, enterprise support services, CSS Corp.

"Mauritius being an internationally popular tourist location is ideally suited for Medical Tourism initiatives focused on diagnosis and selective surgeries. Our group companies Trivitron Healthcare, Metropolis Healthcare, Medfort/Maxivision and Alliance Dental care are seriously exploring opportunities to offer high quality, cost effective healthcare products and services in Mauritius," expresses G.S.K. Velu, managing director, Trivitron Group of Companies and co-founder and vicechairman, Metropolis Health Services.

Global investors, including major private equity funds, are now seeing Mauritius as the preferred, trusted, recognised and most efficient platform for investing into India. This has allowed Mauritius to become what Hong Kong is today for China.

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