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Investing in Africa through Mauritius



June 2013

Mauritius – A strategic access to Africa .

- A unique fiscal and non-fiscal base with preferential market access to African Countries.
- Parallel fiscal and non-fiscal network to couple tax efficiency with investment /trade protection.
- 37 Double Taxation Treaties (DTTs) and 36 Investment Promotion and Protection Agreements (IPPAs).
- Distinctive regional hub with regional connectivity and trade access.

Mauritius: International Business Hub



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Mauritius: International Financial Centre (IFIC)

- Financial Services Industry with banking and non-banking activities.
- Major global banks and insurance players with local presence.
- Local Regulator : The Financial Services Commission (FSC).
- Compliance with international standard setters in Europe , US, UK and Asia.
- Regional Headquarters Scheme :
 - Regional Headquarter Company in Mauritius.
 - Support Group Operations in Africa and Asia.
- Global Investment Fund:
 - Domiciliation of new funds.
 - Collective Investment Schemes (CIVs).
- Insurance activities
 - Captive Insurance.
 - Insurance pooling.
- Asset Management.
- Private Wealth Management.

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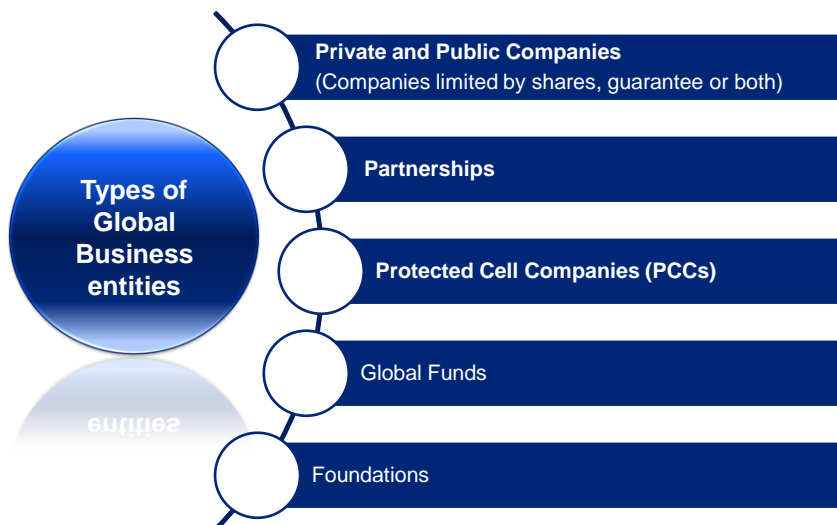
Mauritius: Global Business Framework

- Established in 1992.
- More than 25.000 Global business entities , including more than 800 investment funds.
- Enables Multinationals and Corporate Client to access the benefit of DTT network with Africa, Asia, Europe, India and the United States.
- Focus on innovation, collaboration and diversification with all existing and new partner States.
- Keen to benefit from on its economic relationship with Africa and China.
- Two major vehicles are available to set up an offshore company in Mauritius:
 - Global Business License 1 companies (GBC1).
 - Global Business License 2 companies (GBC2).

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Global Business – Legal Entities



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Mauritius Tax Regime – Fiscal Highlights

- Flat rate of 15% for both Corporates and Individuals.
- Tax credits available for withholding tax, Underlying tax and Tax Sparing.
- Generous deemed foreign tax credit of 80% for GBC 1.
- Maximum effective tax of 3% for GBC 1 entities.
- No Capital Gains Tax.
- No Inheritance, Wealth or Gift tax.
- No Controlled Foreign Companies Legislation.
- No Thin Capitalisation Legislation.
- No Transfer Pricing rules.
- No Withholding tax on dividend, interest, and royalty payments (for GBC1)
- DTT network with full or partial tax sparing provision

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Global Business Licence 1 Company– GBC1

- Tax Resident
- Access to Double Tax Treaty network (37 DTTs).
- HoldCo for Regional Headquarters.
- Registered as a foreign branch or used as a permanent establishment (PE).
- No tax on interest paid to non-resident shareholders.
- Corporate tax at 15% but can claim 80% deemed FTC reducing maximum effective tax rate to 3%.
- Can avail of underlying and withholding taxes if more favorable to GBC1.
- Tax Sparing Provisions.
- May employ expatriates to maintain a physical office in Mauritius

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Global Business Licence 2 Company - GBC 2

- Tax Exempt
- Similar features to BVI or Cayman Islands Companies
- Incorporation within 48 hours
- No resident director required, Only registered agent and registered office in Mauritius
- Corporate director allowed
- Migration allowed
- Business Privacy and Confidentiality
- Can be used as Trade Offices
- Can be used as Private Trust Company
- No Statutory Audit required, only Financial Summary filed with Regulator
- No access to treaty network

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Mauritius – Africa: Treaty table

| Target Countries | Dividends | | Interest | | Royalties | |
|------------------|--|------------------------------|---|------------------------------|--|------------------------------|
| | <i>Withholding tax rates in target country on dividends paid</i> | | <i>Withholding tax rates in target country on interest paid</i> | | <i>Withholding tax rates in target country on royalties paid</i> | |
| | <i>Non-Treaty Rates</i> | <i>Treaty with Mauritius</i> | <i>Non-Treaty Rates</i> | <i>Treaty with Mauritius</i> | <i>Non-Treaty Rates</i> | <i>Treaty with Mauritius</i> |
| Botswana | 15 | 5/10 | 15 | 12 | 15 | 12.5 |
| Lesotho | 25 | 10 | N/A | 10 | N/A | 10 |
| Madagascar | 20 | 5/10 | N/A | 10 | N/A | 5 |
| Mozambique | 20 | 8/10/15 | 20 | 0/8 | 20 | 5 |
| Namibia | 10 | 5/10 | 0 | 0/10 | 10.5 | 5 |
| Rwanda | 20 | 0 | N/A | 0 | N/A | 0 |
| Senegal | 10 | 0 | 6/8/16/20 | 0 | 20 | 0 |
| Seychelles | 15 | 0 | 10/40 | 0 | 0/15 | 0 |
| South Africa | 0 | 5/15 | 0 | 0 | 12 | 0 |
| Swaziland | 12.5/15 | 7.5 | 10 | 5 | 15 | 7.5 |
| Tunisia | 0 | 0 | 20 | 2.5 | 15 | 2.5 |
| Uganda | 15 | 10 | 15 | 10 | 15 | 10 |
| Zambia | 15 | 5/15 | 15 | 10 | 15 | 5 |
| Zimbabwe | 20 | 10/20 | 10 | 0/10 | 20 | 15 |

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Mauritius treaty network with Africa

In addition to the 14 treaties already in force, 10 others are at various of stage of negotiation as follows:

- Treaties awaits ratification: Congo, Egypt, Kenya and Nigeria.
- Treaties await signature with: Ghana and Gabon.
- Treaties are being negotiated with: Algeria, Burkina, Malawi and Tanzania.

Using Mauritius for investment
into Mozambique

Investing Directly in Mozambique

- **Case Study** – China Co investing directly in Mozambique

China Holding company

WHT on Dividends – 20%

Payments:

- Interest – 20%
- Royalties – 20%
- Technical Fees – 20%

Mozambique Invest. Company

Tax Suffered

- Corporate Taxation at 32% in Mozambique
- WHT on dividend – 20%
- If China Holding Co disposes of its investment interests in Mozambique, this would trigger a capital gain tax of 32% in Mozambique

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Investing in Mozambique through Mauritius

China Holding Company

Payments: Dividends, Interest, Royalty – NIL

Mauritius Holding Company

Payments by way of dividends – Saving of 12% on WHT

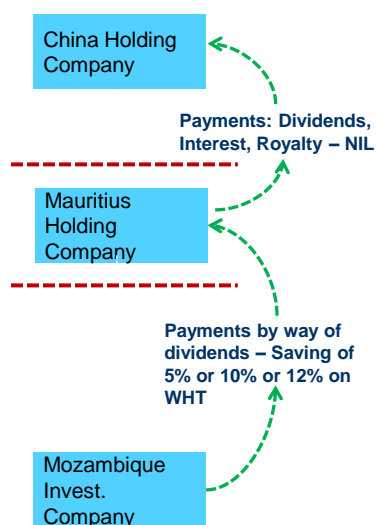
Mozambique Invest. Company

Tax Implications

- Reduce WHT applying the Mauritius Treaty
- No WHT on outbound payment from Mauritius
- No Capital Gains Tax in Mauritius – **Capital gains taxation on share transfer under the Mauritius – Mozambique DTA: taxed only in the state where the alienator is resident**

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Illustration of Tax Computation in Mauritius



Tax Implications

- Corporate Taxation at 32%
- WHT on Dividend under Treaty – 8%

| | |
|-----------------------------|-------|
| Net Income | 920 |
| Gross Income | 1,000 |
| Foreign Taxes | |
| WHT (8%*1000) | 80 |
| Underlying Taxes (32%*1000) | 320 |
| Total FTC | 400 |
| Chargeable Income | 1,000 |
| Tax at 15% | 150 |
| FTC | (150) |
| Tax Liability | NIL |

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Investment Promotion and Protection Agreements Signed between Mauritius and African countries

- Mauritius has signed Investment Promotion and Protection Agreements (IPPAs) with numerous African countries
- IPPAs provide additional comfort to investors since they significantly reduce investment risks in those countries where there may exist some risk of nationalization or expropriation
- IPPA provides various benefits to the investors when investing in African countries:
 - free repatriation of investment capital and returns
 - guarantee against expropriation
 - most favoured nation rule with respect to treatment of investment
 - compensation for losses in case of war or armed conflict or riot
 - arrangement for settlement of disputes between investors and the contracting states

IPPA signed with Mauritius

Botswana

South Africa

Swaziland

Zimbabwe

Benin

Burundi

Ghana

Mauritania

Tchad

Comoros

Guinea Republic

Rwanda

Cameroon

Senegal

Madagascar

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Overview : Mauritius , DTTs/ IPPAS and Africa

DTTs

- 37 are in place.
- 14 already ratified with Africa
- More DTT are currently in negotiation.
- Seen as a safe as a reputable fiscal jurisdiction.
- African Tax Authorities / States are keen to develop relationship with Mauritius.

IPPAs

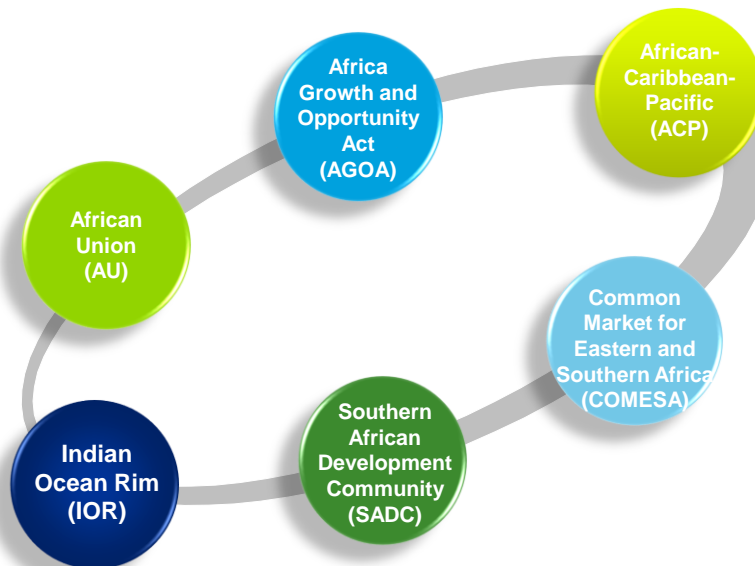
- 39 are in place
- China already ratified
- 21 to be ratified with Africa
- Holds the International Arbitration Centre (LMAC)
- Ability to act a mediator and neutral State for all parties.

Unique Fiscal and Non-fiscal Platform

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China – Mauritius – Africa Connectedness



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