



INTERCONTINENTAL TRUST NEWSLETTER

VOLUME 6 . ISSUE 15



INTERCONTINENTAL TRUST
International Tax & Management Services

Mauritius Budget 2014

The 2014 Budget recognizes that a continued increase in commercial substance is crucial for the growth of the Financial Services Sector.

The Honorable Minister of Finance and Economic Development, Xavier Luc Duval presented his third budget on 8th November 2013.

The salient features of the Mauritius Budget 2014 affecting the financial services and global business sectors are as follows:

Enhancing Commercial Substance

The Mauritius legislative framework will be enhanced to provide greater flexibility for Global Business Companies to deal with residents. The Joint Committee under the Financial Services Consultative Council has been mandated to provide recommendations on the better integration of global business with the domestic sector.

Enhancing Product Offering

- The Investment Promotion Act will be amended to include investment in Initial Public Offerings as a qualifying business activity for the purpose of granting Permanent Residence in Mauritius;
- The Investment Promotion (Real Estate Development Scheme) Regulations will also be amended to allow GBL1 companies to purchase residential property in Mauritius under the IRS/RES schemes;
- Introduction of a new bill on Captive Insurance to make Mauritius a captive insurance jurisdiction of choice;

- Development of Mauritius into a regional centre for investment through the promotion of a new Social Impact Exchange.

Strengthening the Regulatory Framework

- Setting up of a Serious Fraud Office and a Coordination Committee among all agencies combating financial crime;
- Redefining the term “financial crime” to capture an offence under the various existing Acts and banking laws;
- Amendments to be brought to the Bank of Mauritius Act and the Financial Services Act to strengthen their respective regulatory functions;
- Transferring the responsibility for licensing, regulation and supervision of credit unions and money lenders to the Bank of Mauritius;
- Mauritius will adhere to the Multilateral Convention on Mutual Administrative Assistance in tax matters developed jointly by the Council of Europe and the OECD;
- Amendments to the Companies Act for fine-tuning purposes with regard to:
 - Registration of documents
 - Transfer of shares and debentures
 - Approval for appointment of secretary by foundations



- Reservation of company names that is strictly identical to a name which has already been reserved
- Removal from register where the company has failed to pay its registration fees or file its annual return
- The Certificate of current standing issued by the Registrar to include a statement as to whether the company has submitted its annual returns together with related documents and also as to whether the company is in receivership or administration
- Harmonization with the Financial Reporting Act.

Building on our Africa Strategy

As a continuation of the 2012 and 2013 budget, this year's budget expands on the African strategy. The actions related to the Expanded Africa Strategy are:

- **Creation of the Mauritius-Africa Fund ("the Fund")** that will be used for equity financing (capped at 10% of the equity) of businesses investing in viable projects in any African country as well as to offer fee paying consultancy services on the continent to Government and Public Sector entities, in fields where Mauritius has a competitive advantage;
- **Boosting Our Export to the African Continent** by providing a subsidy of 25% of the freight cost on containers exported to all countries in Africa except South Africa and Madagascar, up to a maximum of USD 300 per container as well as a 50% subsidy on the cost of Credit Guarantee Insurance for exports to Africa;



- **Enhancing the role of Mauritius as a Gateway to Africa.** The Board of Investment ("BOI") will organize 6 high level conferences across the African continent in 2014 to showcase Mauritius as a trusted partner. The BOI has also been requested to host an Annual Conference of Chief Executive Officers of all Investment Promotion Agencies in Africa in order to share experience, encourage best practices and increase networking. The first conference is scheduled for June 2014;
- **Building Human Capacity to support rising Africa.** The Africa Centre of Excellence will actively promote the placement of young Mauritian technicians, graduates and professionals on the African continent. The offer of 50 scholarships to African students will be renewed next year;
- **Enhancing our status as a regional centre.** A Host Country Bill will be presented in Parliament which will set up the framework and codify the various entitlements, rights and obligations of international organizations wishing to set up their regional offices in Mauritius.

Ease of Doing Business

The Mauritian Government will introduce more ground breaking measures to boost investment via:

- **Setting up of a Fast Track Committee** under the Chairmanship of the Financial Secretary to expedite the processing of all permits and approvals concerning major big-impact investment projects;
- **Speeding up the delivery of Building and Land use permit** with the creation of a central E-monitoring system at the Ministry of Local Government and Outer Islands to track all applications for Building and Land use permits, whether relating to municipalities or district councils;

Permits will be delivered within 14 days of application. If no reply within the specified days, the Silent Agreement Principle will apply;



◦ Further opening up Mauritius as a Regional Centre for Talent.

Additional steps will be taken to attract more high-calibre professionals to Mauritius.

- The bank guarantee needed for the application of Occupation and Residence Permits will be abolished and the fees for permits will be revised.
- An integrated online system will be implemented before the end of 2013 to facilitate the application process for Occupation Permits and Visas.
- BOI aims to increase the number of professionals under Occupation Permits from 4,200 to 5,000 in the short term and 10,000 in the medium term.

Additionally, high net-worth individuals who have decided to retire in Mauritius will be allowed to purchase an apartment upon a minimum transfer of USD 120,000 at the time of application.

Taxation

Corporate Income Tax

◦ Shipping Income

The statutory exemption granted in respect of income derived by the owner of a foreign ship from its operation will include income obtained from the charter of such ships.

◦ Private freeport developer

Holders of a Private Freeport Developer License will be brought at par with Freeport Operators regarding income tax exemption. The exemption will exclude income derived from sale on the local market or any specified manufacturing or processing activities. The income tax regime for holders of Third Party Freeport Developer License will remain unchanged.

◦ Fees paid to non-residents

The Income Tax Act will be amended to treat all fees derived by non-residents from Mauritius at par with fees derived by residents, whether the services are provided in Mauritius or from outside Mauritius taking into account provisions of DTAs where applicable. This measure will ensure that local professionals are not placed at a disadvantage compared to their foreign counterparts and will put Mauritius on a level playing field with treaty partners that have adopted such a regime.

Property Taxation

◦ General Rate of Land Transfer Tax and Registration Duty

Presently, on the transfer of an immovable property, the applicable rate of Land Transfer Tax is either 5% or 10%, depending on the number of years the property has been owned whilst the rate of registration duty is 5%.

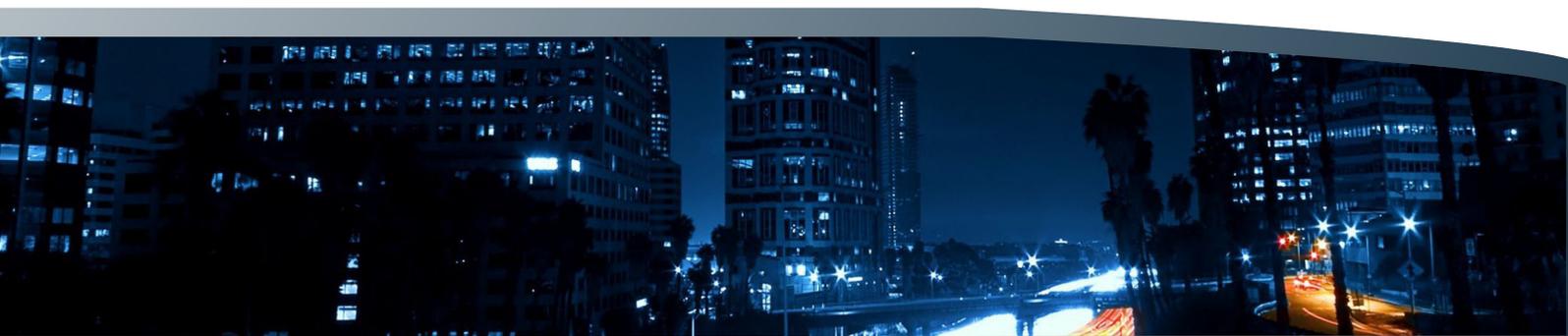
A single rate of land transfer tax of 5% will henceforth be applicable on deeds presented for registration on or after 1st January 2014.



◦ Integrated Resort Scheme (IRS) and Real Estate Scheme (RES)

The rate of registration duty on acquisition of an IRS/RES residence and land transfer tax on resale is being harmonised as follows:

	From	To
IRS		
Land Transfer Tax on resale of residential property	USD 50,000	USD 50,000 or 5%, whichever is the higher
RES		
Registration duty on acquisition of residential property	USD 25,000	USD 25,000 or 5% whichever is the higher.
Land Transfer Tax on resale of residential property	USD 25,000	USD 25,000 or 5% whichever is the higher.



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