



Financial Sector

Bank Of Mauritius Keeps Repo Rate Unchanged

Following a meeting held by the Monetary Policy Committee (MPC) of the Bank of Mauritius on 5 May 2017, the repo rate remained unchanged at 4%.

The MPC brought forward that escalating commodity prices, namely energy related products, contributed to an increase in the global inflation rate. However it is anticipated to stabilize. In Mauritius, the inflation rate increased ever so slightly in Q1 2017 to 1.3% (December 2016 Inflation rate: 1%) whilst the projected inflation rate for 2017 is 2%.

It was also highlighted that the International Monetary Fund forecasted global economic growth to increase from 3.1% in 2016 to 3.5% in 2017 with further anticipated growth to 3.6% in 2018.

Mauritius is showing signs of economic recovery, supported by the real GDP growth of 4.1% in Q4 2016 compared to 3.7% in Q3 2016 and 3.8% in Q4 2015. Construction sector has been able to restructure its downward trend which was also met by continuous growth within key service sectors in particular the tourism industry.



Moody's: Mauritian Financial Sector Risk and Forecasts

On 5 April 2017, Moody's Investors Service released its annual Credit Analysis report on Mauritius. It has been reported that amidst unfavourable global economic conditions, Mauritius has managed to safeguard its economy through foreign flows into the financial sector and diversified exports. However, the economy may be constrained by its relatively high government debt. The government aims at reducing the current debt to GDP ratio which stands at 60% of GDP to 50% in the near future. Economic growth for 2017 and 2018 is estimated at 3.6% and 3.7% respectively.



As highlighted in the June 2016 report, Mauritian authorities have been able to manage the financial sector by implementing measures such as financial innovation, the preservation of tax and non-tax competitive advantages, and through the maintenance of macroeconomic stability. The assets held by Global Business Companies are evaluated to be on average 50 times the GDP of Mauritius which in turn support the banking system whilst at the same time contribute to the positive balance of payment for Mauritius. In March 2016, the foreign exchange reserves stood at USD3.9 billion, which was largely attributed to the good performance of the finance sector.

Rotation of audit firms for listed companies

The Financial Report Council (Rotation of Audit Firm) Regulations will be promulgated, effective as from 1 January 2017, to allow for listed companies with audit firms having served for more than 7 years, and those with audit firms having served less than 7 years as at 07 September to start rotating on the same date which is 1 January 2020.



Mauritius: Impact of Brexit

A ministerial committee was held in April 2017 following the activation of article 50 of Lisbon treaty in March 2017. The Joint Working Group (JWC) provided a report on the repercussions of Brexit which focused mostly on the following:

- Support to vulnerable companies;
- Addressing the potential threats with regard to trade relations with the UK; and
- Seizing subsequent opportunities.



The opportunities that may arise are:

- Set Mauritius as reference for asset managers to incorporate their business activities;
- Trigger European Access centers such as Luxembourg and Malta to set up support units in Mauritius hence promote the sharing of expertise via fruitful collaboration;
- Set Mauritius as the reference for United Kingdom's Insurance and Banking Institutions to outsource their activities;
- Develop Mauritius as the wealth management destination for High Net worth Individuals.

Furthermore, it was highlighted that at the ACP Trade Ministerial meeting held on 9 December 2016 in Brussels and at the Commonwealth Trade Ministers Meeting held on 10 March 2017 in London, Ambassador Augus Lapsley and the United Kingdom Minister of State at the Department for International Trade, Lord Price, have respectively given assurances that the preferential market access will be maintained for all ACP and Commonwealth countries. This measure is expected to give comfort to Mauritian exporters.

Following the implementation of Speed to Market Scheme (STM) on 1 April 2017, vulnerable companies will be entitled to 40% exemption on air freight. STM aims at timely delivery of products and boost textile and apparel export towards European countries inclusive of United Kingdom.

Double Taxation Avoidance Agreements and Other Trade Agreements

Mauritius Signs Double Taxation Avoidance Agreement with Ghana

In March 2017, Mauritius and Ghana signed a Double Taxation Avoidance Agreement (DTAA) which is subject to ratification. The agreement was signed during the visit of the Vice-President of Ghana, Dr. Mahamudu Bawumia, on the occasion of the 49th anniversary of Independence and 25th anniversary of the Republic of Mauritius.



The DTAA has been signed so as to eliminate double taxation. The economic climate is set to be favorable since numerous key areas have been identified with specific developments to be launched. The projects enumerated are:

- Review the framework signed for setting up of a Technology Park in Dawa, Ghana;
- Fast-track the Special Economic Zone (SEZ) project in Ghana as well as an action plan for project implementation following the incorporation of a special purpose vehicle (SPV), the Ghana Smart City Ltd, in December 2016, with 60% shareholding from Mauritius and 40% from Ghana;
- Proposal by Mauritius to set up a Cyber Tower in Accra which will also be home to the Centre of Excellence and will comprise of a solar energy power plant and a resort;
- The Mauritius-Ghana Permanent Joint Commission makes provision for Investment Promotion and Protection Agreement or an SPV to channel investment between the two countries.

Both nations are set to collaborate under various fronts hence developing the capabilities of both economies.

Mauritius and Jersey sign Double Taxation Avoidance Agreement

A Double Taxation Avoidance Agreement (DTAA) was signed by Mauritius and Jersey in London on 3 March 2017, which makes provision for a reduced taxation at source or exemption on various sources of income which is an incentive to increase activities between the two countries.



The Mauritius-Jersey DTAA is yet to be ratified.

So far, Mauritius has concluded 43 DTAA's with leading developed and emerging economies, thus enabling entrepreneurs benefit from efficient tax planning and numerous other benefits.

Tanzania-Mauritius: Trade and Investment Forum

The first edition of the African Economic Forum featured a delegation from Tanzania, led by the Honorable Prime Minister, Kassim Majaliwa Majaliwa, and was held in Mauritius from 19 to 23 March 2017.



The Tanzania Investment Centre (TIC) in collaboration with the Ministry of Industry, Commerce & Consumer Protection of Mauritius, the Board of Investment (BOI) and the Mauritius Chamber of Commerce and Industry (MCCI) organised a Tanzania - Mauritius Business Forum on 23 March 2017.

In order to improve access between East Africa and Mauritius, air access policies will be reviewed. Following the forum, bilateral ties and business objectives between the two countries have been redefined.

A Memorandum of Understanding was signed between the BOI and the Tanzanian Investment Centre so as to help sharing of information and ease investment between both countries. Investment opportunities that arise for Mauritian investors include: tourism, agro-industry, mining, ICT, and infrastructure development.

Mauritius – China: Cementing business relationships

A symposium themed “Enhancing Mauritius-China Relations” was held on 19 April 2017 to mark the 45th anniversary of the establishment of diplomatic relations between the Mauritius and the People’s Republic of China. The event was attended by a high-level delegation from China as well as Mauritian high officials and representatives of the private sector.



The ambassador of the People’s Republic of China, Mr. Li Li confirmed the Chinese’s government intention to use the Mauritius platform for the deployment of the Chinese strategy for Africa.

Leveraging on the visit of the Chinese government delegation headed by Mr. Xu Jinghu, Special Representative of the Chinese Government on African Affairs, an interactive session was held with the Ministry of Foreign Affairs, Regional Integration and International Trade on 21 April 2017. Discussions revolved around the establishment of a free trade area, the use of the Freeport facilities by Chinese investors to benefit from Mauritius’ membership of organizations namely COMESA, SADC, IOC and possibly the Tripartite Trade Zone (COMESA, SADC, and East African Community).

South and East Africa give access to a combined market of 650 Million consumers. The Bank of China in Mauritius along with, the Mauritian strategy of setting up Special Economic Zones (SPZ) within specific countries such as Ghana, Senegal and Madagascar, provide Chinese investors with possibilities for new ventures.

China is a strategic economic partner for Mauritius and in 2016, it injected around MUR 2.4 billion (approx. USD 68 million) into the local economy representing around 17.9% of the total Foreign Direct Investment of Mauritius.

In order to further enhance bilateral ties between both countries, a Memorandum of Understanding (MOU) was signed between the China Council for the Promotion of International Trade and the Board of Investment on 16 May 2017 in Beijing. The objectives of the MOU are:

- Promote exchanges in the fields of investment, trade and technology
- Assist in identifying business partners while extending collaboration in various sectors of the economy
- Identify areas of comparative advantage and competence for mutual development.

The consolidation of bilateral and economic ties between Mauritius and the Comoros

A business forum was held in April 2017 by the Mauritius Chamber Of Commerce (MCCI) and the Union of Chambers of Commerce and Industry and Agriculture (UCCIA) in collaboration with the Board of Investment (BOI) and Enterprise Mauritius with the objective of facilitating and reinforcing collaboration between the business community of Mauritius and Comoros.



To nurture diplomatic relations between the two states, four agreements were signed, as follows:

- Memorandum of Understanding (MOU) between Board of Investment - BOI and its Comoros counterpart, the National Agency for Investment Promotion of the Comoros;
- MOU between Mauritius Chamber of Commerce and Industry of Mauritius (MCCI) and the Union of Chambers of Commerce and Industry and Agriculture (UCCIA) of Comoros;
- MOU between the Ministry of Health of both countries pertaining to Medical Evacuation; and
- An agreement for the transfer of prisoners.

Furthermore, an agreement for the exemption of travel visas was signed by both states and it was also highlighted the MOU for investment promotion and protection between the two islands is already in force.

The volume of trade between the two countries in 2016 is estimated to be around USD 6 Million which makes Comoros an important market for Mauritian investors.

Travel and Tourism

Travel and Tourism Competitiveness Index 2017

The World Economic Forum has published its latest Travel and Tourism Competitiveness Index (TTCI) in April 2017. It has been found that the travel & tourism industry continues to make a real difference to the lives of millions of people by driving growth, creating jobs, reducing poverty and fostering development and tolerance. For the sixth consecutive year, industry growth outperforms that of the global economy, showcasing the industry's resilience in the face of global geopolitical uncertainty and economic volatility.



The top 10 TTCI global rankings is as follows:

1. Spain (ranked 1st for the second time)
2. France
3. Germany
4. Japan (gained five places)
5. United Kingdom
6. United States (losing two places)
7. Australia
8. Italy
9. Canada (gained one place)
10. Switzerland (losing four places)

On the African market, Mauritius is ranked 1st in Eastern Africa, with a score of 3.9 and has progressed by one place since 2015.

Key indicators for Mauritius

International tourist arrivals	1,151,252
International tourism inbound receipts	US \$1,431.7 million
Average receipts per arrival	US \$1,243.6
T&T industry GDP	US \$1,321.0 million
T&T industry employment	58,641 jobs

South Africa (53rd), Mauritius (55th), Kenya (80th) and Namibia (82nd) are presented as the four most competitive economies concerning. Air connectivity along with visa policies have been stated as challenges for the African region.

The TTCI is based on 4 main pillars as listed below:

- Enabling Environment
- T&T Policy and Enabling Conditions
- Infrastructure
- Natural & Cultural Resources

To access the full report, click [Here](#).

Air Mauritius Airport Services rewarded by Changi Airport Group

Air Mauritius was recently awarded by the Changi Airport for the high score achieved at the last Ground Operations Efficiency Monitor. In order to sustain its position as one of the best airports in the world, the Changi Airport Quality Service management team regularly measures service quality indicators operating at Changi Airport such as:

- Check-in queuing time,
- Speed of baggage delivery and
- On time performance of airlines



For the period April to September 2016, Air Mauritius achieved 100% efficiency target in the check-in of passengers and baggage and scored high marks on other performance indicators, by Changi Airport.

Changi Airport is a strategic partner to Air Mauritius expansion plan in Asia, through the Air Corridor. Air Mauritius currently operates 3 weekly flights to Changi Airport. A fourth flight will be added during the peak season in July and August and this will become a regular scheduled flight as from December 2017.

Agreement between Air Mauritius and China Eastern Airlines

The national airline, Air Mauritius has entered into a codeshare agreement with China Eastern Airlines effective since 18 April 2017. China Eastern Airlines, which has links to 212 destinations, has agreed to act as marketing carrier for Air Mauritius for the Chinese market.



Under this agreement, China Eastern Airlines will propose the following flights operated by Air Mauritius to their clients on the following routes:

- Mauritius to Beijing
- Mauritius to Shanghai
- Mauritius to Chengdu
- Mauritius to Guangzhou

This agreement is seen as an opportunity for Air Mauritius to better position itself into the Chinese market and to increase its flight sales to China. Both parties believe that this will create more traffic between the two countries.

Memorandum of Understanding between Kingdom of Swaziland and Mauritius for better air connectivity

A Memorandum of Understanding (MOU) has been signed between the Kingdom of Swaziland and Mauritian authorities which makes provision for:

- Specific airlines of each country to operate on a maximum of 7 flights in each direction per week under designated routes.
- Cargo operations will be entitled to operate without limitations concerning capacity and frequency along with full third, fourth and fifth freedoms traffic rights
- Air Mauritius will be entitled to fifth freedom traffic rights (i.e. the right to fly between two foreign countries on a flight originating or ending in one's own country) on distinct routes and the following immediate and beyond points: Madagascar, Mozambique, South Africa, Tanzania, United Kingdom Germany and the Netherlands.



To further reinforce the Air corridor project, Swaziland authorities have been invited to join in the project.

Air Mauritius to propose flights to Geneva

Between November 2017 and February 2018, Air Mauritius will be proposing direct flights to Geneva under the frequency of one flight per week. The flight schedule has been implemented so as to cater for the demand during the tourist season. The launch of the flight to Geneva aims at improving accessibility towards Europe.



Others – The Mauritius Film Industry

Upcoming Hollywood blockbuster to be shot in Mauritius

As previously communicated to our readers in a past edition of our newsletter, the Government of Mauritius, through its investment promotion agency – the Board of Investment (BOI), is actively promoting the island as an attractive filming destination to international filmmakers.



Several initiatives including the Film Rebate Scheme (FRS) have been implemented by the BOI and some very positive results have already emanated therefrom.

In fact, Steven Knight's upcoming star-studded movie, *Serenity*, featuring Uma Thurman, Matthew McConaughey and Anne Hathaway as the lead cast, will be shot in Mauritius as from mid-July and is expected to be wrapped up by the end of August 2017. This is a grand premiere for Mauritius as it is the first time that a Hollywood movie is being shot entirely in Mauritius.

The choice of Mauritius as the filming destination for *Serenity* was largely influenced by its attractive FRS which is available to both local and international film producers. Under the FRS, film production companies are entitled to benefit from a rebate of up to 40% of the Qualifying Production Expenditures incurred in Mauritius. In *Serenity*'s case, producers will be eligible for a refund of circa. USD 7 million.

For more information about the Film Rebate Scheme, please liaise with your usual contact person at ITL or write to us on info@intercontinentaltrust.com.

For any additional information please contact us.

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