



INTERCONTINENTAL TRUST NEWSLETTER

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INTERCONTINENTAL TRUST
International Tax & Management Services

Freeport Activities Update

The Freeport Act was amended on Dec 2012 to allow a company operating in the Freeport to undertake manufacturing activities, provided that 76% of the company's production is exported to African countries. Freeport companies may now produce goods that meet the minimum criteria required to obtain certificate of origin under the various preferential trade agreements.

Amendment to the Freeport Act 2004

The Finance Act 2012 has amended the Freeport Act 2004 (the "Act") by adding a new Category F in the list of Freeport activities listed in the second schedule of the Act.

Category F:

Any manufacturing activity, provided that –

(a) the enterprise exports its manufactured goods to the extent of at least 95 per cent of its annual turnover, of which at least 80 per cent shall be exported to Africa; and

(b) the remaining percentage may, upon approval by the Board of Investment, be put on the local market."

The above amendment creates considerable scope for Freeport operators that may now undertake enough transformation on their imported goods to meet the rules of origin requirements and benefit from duty-free and tariff free market treatment. Previously, only activities such minor processing, breaking bulk, labeling and repackaging and light assembly was allowed in the Freeport zone.

Freeport companies are exempt from corporate tax and custom duties on import material and additionally benefit from reduced port handling fees.

Rules of Origin

Under the Southern African Development Community ("SADC"), Common Market for Eastern and Southern Africa ("COMESA") and African Growth and Opportunity Act ("AGOA") convention, preferential origin is conveyed on goods from particular countries, which have fulfilled certain criteria.

In order to obtain originating status in Mauritius, those criteria generally require that the goods have undergone sufficient transformation in the manufacturing processes. Under the value addition criteria, a minimum of 35% value addition should be undertaken on non-originating (Non-Mauritian) material. This rule applies to the product list stipulated under the various trade agreements

With the new addition of manufacturing in the Freeport Act, Freeport operators may now meet minimum value addition of 35% on specific products.





Preferential Market Access

Mauritius is a member of a several trade blocks that offer preferential market access including duty free and tariff free access to a selection of products that meets the minimum criteria under each trade convention.

Some of the conventions include the following:

- AGOA
- European Economic Partnership Agreement (“EU-EPA”).
- SADC
- COMESA
- Turkey Free Trade Agreement (“FTA”).
- Pakistan FTA.

Africa Exports

With the requirement of 76% exports to be channeled to Africa, Freeport companies can benefit from SADC and COMESA trade conventions if they meet relevant conditions such as trade policy and rules of origin.

The rest of the goods may be exported to the United States under the AGOA trade protocol, to Europe under the EU-EPA and any regions covered under a preferential trade agreement. As per the Freeport Act, only a maximum of 5% of the Freeport’s turnover can be sold under the local market..

Freeport Benefits

A Domestic company operating with a Freeport license can benefit from significant fiscal advantage as well as gain commercial edge for export/import business.

Advantages of operating in the Freeport area:

- Zero corporate tax.
- No custom duties on imports of raw materials/goods.
- Reduced port handling charges for re-export.
- Integrated logistics facilities.
- Access to preferential market conventions such as SADC/COMESA, AGOA, EU-EPA.
- Up to 5% can be sold on the local market but profits will be taxable at local rates.
- No minimum capital for investment.
- Free repatriation of profits.
- Offshore banking facilities.

How can ITL Help?

- Registration and setting up a domestic company.
- Applying for Freeport Certificate from the Board of Investment (“BOI”).
- Liaise with BOI for the Freeport Certificate application.
- Submit and follow up on the application documents for the Freeport application.
- Coordinate with Third-Party Developers for clients that require warehousing, logistic facilities or Freight Forwarding services.
- Application with Mauritius Customs and Excise Department for a Freeport Operator licence.
- Application for the occupational work permit for clients.
- Registration with Income Tax and Customs Departments.
- Maintain compliance of the company’s Freeport operations.
- Provide corporate secretarial services.





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Mauritius has rapidly grown into a regional hub for logistics, distribution and marketing in the Indian Ocean. With the aim to boost international trade, decision makers in the country rapidly transformed the Port district and now Jin Fei into a thriving warehouse, processing and distribution centre.

Strategically located between the rapidly expanding economies of Asia and Africa, Mauritius opens access to the 600 millions consumer market of the African region. Mauritius has developed a modern and robust Freeport sector able to meet the demand of international freight and logistics companies aiming to expand their business in the Africa-Asian region while benefiting from modern customs, port-handling and warehousing facilities.

Freeport sector in Mauritius boasts a modern logistics infrastructure including warehousing for dry goods, cold goods and processing centre in close range of the main port. Customs declarations are effected online via an electronic declaration system and a computerized licensing system.

For any additional information please contact us.

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