



INTERCONTINENTAL TRUST NEWSLETTER

AUGUST 2015



INTERCONTINENTAL TRUST

Impeccable Service Intelligent Solutions

Acquisition of Property in Mauritius

THE SMART CITY SCHEME AND THE PROPERTY DEVELOPMENT SCHEME

Background

In March 2015, the Minister of Finance and Economic Development, Honourable Mr. Vishnu Lutchmeenaraidoo, announced in his budget speech, the advent of 13 employment-rich mega infrastructure projects that will be developed across Mauritius under the Smart City Scheme (SCS). While 8 of these ambitious projects will be designed as “Smart Cities” that will revolutionise our whole way of living, the other remaining 5 “technopole” projects will be developed on a smaller scale and will be geared mainly at providing high-tech industrial research and development facilities.

In the same speech, the Minister conveyed the government’s objective of streamlining and harmonizing the Integrated Resort Scheme (IRS) and Real Estate Scheme (RES) by replacing the IRS and the RES with a new Property Development Scheme (PDS).

The Investment Promotion (Smart City Scheme) Regulations 2015 and the Investment Promotion (Property Development Scheme) Regulations 2015 were both enacted and promulgated on **12th June 2015**.

The two new regulations provide an enabling framework and a package of attractive fiscal and non-fiscal incentives to investors. Similar to the previous IRS/RES, Permanent Residence permits are available to non-citizens for an acquisition of property of at least USD 500,000 under both PDS and SCS. In addition, a non-citizen who has resided in Mauritius for a continuous period of 2 years and invested at least USD 5 million under the SCS will be eligible to apply for Mauritius Citizenship.

Highlights of the two schemes are provided below.

Smart City Scheme

The **Smart City Scheme** is an ambitious economic development programme aimed at consolidating the Mauritian international business and financial hub by creating ideal conditions for working, living and spurring investment through the development of smart cities across the island.

The smart-city concept provides investors, nationals and foreigners, with options for living in sustainable, convenient and enjoyable urban surroundings.



The concept paves the way for investors to develop and invest in:

- A mix of commercial, leisure and residential uses that, as a whole, achieves physical and functional integration and creates a pedestrian-oriented urban environment
- A combination of office, light industrial, education, medical and tourism clusters
- High technology and innovation cluster
- Infrastructure to service green-field sites with roads and inspiring landscaping
- Clean technology aimed at carbon and waste reduction, efficient transport
- Low-energy-consumption buildings
- Digital solutions, urban sensing technologies and big data analytics
- Energy production and water management and utilities
- High-end residential estate
- Real estate investment management

Incentives

A company investing in the development of a smart city and/or its components is exempted from payment of:

1. **Income Tax** for a period of 8 years from the issue of the SCS Certificate provided that the income is derived from an activity pertaining to the development and sale, rental or management of immovable property other than an activity in respect of the supply of goods and services.
2. **Value Added Tax** paid on capital goods (building, structure, plant, machinery or equipment).
3. **Customs duty** on import or purchase of any dutiable goods, other than furniture, to be used in infrastructure works and construction of building within the Scheme.
4. **Land Transfer Tax and Registration Duty** on transfer of land to a SPV provided that the transferor holds shares in the SPV equivalent to at least the value of the land transferred.

5. **Land Conversion Tax** in respect of the land area earmarked for the development of non-residential components (office and business parks, ICT and innovation clusters, touristic, leisure and entertainment facilities including hotels and golf courses, renewable energy and green initiatives).
6. **Morcellement Tax** for the subdivision of land.

Other Tax Incentives

- First-time Mauritian buyers and buyers under the Mauritian Diaspora Scheme acquiring a residential unit will be exempted from registration duty
- Full recovery of VAT in terms of input tax allowable in terms of capital goods (building structure), plant, machinery and equipment.
- Accelerated annual allowance granted at a rate of 50% of the costs in respect of capital expenditure incurred by any company operating within the Smart City Scheme on energy-efficient equipment and green technology.

Land Purchase

A smart city will be developed over an area exceeding 21.105 hectares (50 arpents). Foreign companies can acquire land under the Smart City Scheme to develop projects and their key components

Residency

- Any person any entity including foreign companies and trusts can acquire residential units in a smart city
- Any non-citizen acquiring a residential unit above USD 500,000 under the scheme is eligible to a residence permit for himself and his family
- No restriction on rental or resale of residential units
- Possibility for a retired person to acquire life rights under the SCS



Mauritian Citizenship

- A non-citizen who has resided in Mauritius for a continuous period of 2 years and invested at least USD 5 million under the SCS will be eligible to apply for Mauritius Citizenship.

Property Development Scheme

The Property Development Scheme (PDS) allows the development of a mix of residences for sale to non-citizens, citizens and members of the Mauritian Diaspora.

The PDS provides the following:

1. The development of luxurious residential units on freehold land of an extent of at least 0.4220 hectare (1 arpent) but not exceeding 21.105 hectares (50 arpents).
2. The development of at least six (6) residential properties of high standing;
3. High quality public spaces that helps promote social interaction and a sense of community;

4. High-class leisure, commercial amenities and facilities intended to enhance the residential units;
5. Day-to-day management services to residents including security, maintenance, gardening, solid waste disposal and household services; and
6. Social contribution in terms of social amenities, community development and other facilities for the benefit of the community.

A non-citizen is eligible for a residence permit upon the purchase of a villa under the PDS scheme when he has invested more than USD 500,000 or its equivalent in any freely convertible foreign currency.

The PDS is also a demarcation from the IRS and RES in as much as it does not differentiate between small and big landowners and harmonizes the registration duty to a single rate of 5% instead of 5% or USD 70,000 (whichever is the higher) for IRS and 5% or USD 25,000 (whichever is the higher) for RES.

Package of Incentives for Property Development and Smart City Scheme (compared with the repealed IRS & RES Schemes)

Incentives	Schemes Repealed		New Schemes	
	Integrated Resort Scheme (IRS)	Real Estate Scheme (RES)	Property Development Scheme (PDS)	Smart City Scheme (SCS)
Fiscal Incentives				
1. Exemption from Land Transfer Tax and Registration Duty where land is brought at market value in the development company as equity investment.	✓	✓	✓	✓
2. Exemption from Land Conversion Tax (except for residential component)	✗ (18-hole golf course exempted)	✗	✗ (18-hole golf course exempted)	✓
3. Exemption from land transfer tax and registration duty on transfer of land from a company holding a certificate to a SPV where the certificate holder holds shares in the SPV equivalent to the value of the land transferred.	✓	✓	✓	✓



Incentives		Schemes Repealed		New Schemes	
		Integrated Resort Scheme (IRS)	Real Estate Scheme (RES)	Property Development Scheme (PDS)	Smart City Scheme (SCS)
Fiscal Incentives					
4.	Exemption from the Morcellement Act and the morcellement tax.	✓	✓	✓	✓
5.	Payment of land transfer tax by developer in four 6-monthly instalments if sale made under VEFA.	✓	✓	✓	✓
6.	Accelerated depreciation allowances over 2 years on investment made on green technology infrastructure and equipment including renewable energy, recycling equipment, desalination plant, water efficient plant and rainwater harvesting equipment.	✓	✓	✓	✓
7.	Accelerated depreciation allowances over 2 years of capital expenditure on : (i) Electronic machinery, including hardware and software; (ii) Plant and machinery by a manufacturing company; and (iii) Scientific research	✓	✓	✓	✓
8.	A corporate tax holiday of 8 Years to investors under the scheme. However, they will have to meet their CSR obligations of 2% of chargeable income (i.e., profits).	✗	✗	✗	✓
9.	Exemption from customs duty will be granted on imports of materials, machinery, equipment and other inputs for the development and construction of a smart city, except on furniture (similar to a Freeport zone).	✗	✗	✗	✓
10.	A development company will be deemed to be registered for VAT purposes in order to enable it to fully recover VAT paid on buildings and other capital goods, i.e. on its investment.	✗	✗	✗	✓
11.	Registration duty payable on acquisition of a residential property	USD 70,000 or 5% whichever is the higher	USD 25,000 or 5% whichever is the higher	5% of property value (standard rate)	5% of property value (standard rate)



Incentives	Schemes Repealed		New Schemes		
	Integrated Resort Scheme (IRS)	Real Estate Scheme (RES)	Property Development Scheme (PDS)	Smart City Scheme (SCS)	
Non Fiscal Incentives					
12.	Maximum percentage of residential property allowed to be sold to non-citizens.	100%	100%	75%	75%
13.	Non-citizen who has resided in Mauritius for a continuous period of 2 years and invested at least USD 5 million under the SCS will be eligible to apply for Mauritius Citizenship.	✗	✗	✗	✓
14.	No restriction on the category of purchaser of a property under the Scheme (open to any person or entity including foreign companies and trusts).	✓	✓	✓	✓
15.	Sale of immovable property may be made on the basis of a plan by way of 'Vente en Etat Futur d'Achevement' (VEFA).	✓	✓	✓	✓
16.	No minimum selling price imposed on developer.	✓	✗	✗	✗
17.	Residence Permit granted to a non-citizen purchaser where investment in a residential property exceeds USD 500,000.	✓	✓	✓	✓
18.	A non-citizen purchasing residential unit under the Scheme is allowed to pay in Mauritian rupee provided funds are transferred from abroad.	✓	✓	✓	✓
19.	A non-citizen acquiring a unit under the Scheme is allowed to finance the purchase through a loan contracted locally provided the first \$500,000 is transferred from abroad and the repayment is made in made in foreign currency.	✓	✓	✓	✓
20.	No restriction on renting and resale subject to taxation, licencing and other regulatory requirements.	✓	✓	✓	✓



How can Intercontinental Trust (“ITL”) help?

Founded in 1999, Intercontinental Trust Limited (ITL) is a leading independent fiduciary, corporate and fund administration services provider based in Mauritius. ITL is regulated by the Mauritius Financial Services Commission and has offices in Mauritius, South Africa, Singapore, Kenya and Seychelles.

ITL has a rich hands-on experience in the property field both domestically and internationally. We have assisted our clients (both developers and investors) in the structuring, establishment and operation, as well as capital raising for their investments.

Our team of professionals has worked with major names in the real estate sector, ranging from Development Funds to Real Estate Investment Holding Companies for completed and tenanted properties across Africa.

For private investments, ITL will act as a one-stop shop for you and will ensure that the investment / acquisition of the property goes as smoothly and as stress free as possible. Furthermore, ITL can advise you on the best way to structure the investment for maximum tax protection

Throughout the years, ITL’s expertise has been recognized by various reputable institutions and it has been the recipient of several awards. Most recently, ITL won the accolade for Best Corporate Finance Advisor of the Year 2015 by Private Equity Africa.

Services that ITL can offer include:

- **The structuring and listing** of real estate investment funds
- **Advice** on Mauritian regulatory and tax aspects
- **Establishment of fund / investment vehicle** including co-investment and carry vehicles
- **Company / Trust formation** and administration
- **Applying for the relevant authorization** in Mauritius and liaising with the Authorities and developers
- **Liaising with local banks** for financing the purchase of the property
- **Relocation services** including applying for Permanent Residence Permits

For any additional information please contact us.

Mauritius Office

Email: mauritius@intercontinentaltrust.com
Website: www.intercontinentaltrust.com

Seychelles Office

Email: seychelles@intercontinentaltrust.sc
Website: www.intercontinentaltrust.sc

South Africa Office

Email: sa@intercontinentaltrust.com

Singapore Office

Email: singapore@intercontinentaltrust.com.sg
Website: www.intercontinentaltrust.com.sg

Kenya Office

Email: ke@intercontinentaltrust.com



Intercontinental Trust Ltd is regulated by the Financial Services Commission in Mauritius.

DISCLAIMER

The information in this newsletter was prepared by Intercontinental Trust Limited to provide potential clients with a broad overview of the opportunities available in Mauritius. While all reasonable care has been taken in the preparation of this newsletter, Intercontinental Trust Limited accepts no responsibility for any errors it may contain, whether caused by negligence or otherwise, or for any loss, however caused, sustained by any person that relies on it. Readers are advised to consult with appropriate, qualified professional advisors before taking action. Intercontinental Trust Limited will be pleased to discuss any specific issues.

If you do not wish to receive further information from Intercontinental Trust Limited, please send an email to news@intercontinentaltrust.com.