
SALAMANCA

Group

Trust & Fiduciary



Mauritius as a Gateway for
Investment into Africa

According to 2012 IMF forecasts, Africa will be home to seven¹ of the ten fastest growing economies in the world until 2017, and it is likely that the average African economy will take the lead from Asia. Economic expansion in this region, particularly in Sub-Saharan Africa, is being supported by minerals and energy mainly, but also by a broad base of sectors including agriculture, technology, telecommunications, media and financial services. These industries are attracting significant foreign direct investments, a large portion of which is coming through private equity investments. Flows of foreign direct investment to Africa have been increasing significantly during the last decade and Mauritius has a vital role to play in this respect. Mauritius is regarded as the number one jurisdiction for investment into Africa.

¹ Ethiopia 8.1%, Mozambique 7.7%, Tanzania 7.2%, Congo 7%, Ghana 7%, Zambia 6.9% and Nigeria 6.8%.

Advantages of Using Mauritius

Mauritius combines the traditional advantages of an offshore financial centre (no capital gains tax, no withholding tax, no exchange controls and free repatriation of profits and capital etc.) with the distinct advantages of an extensive network of treaties and double taxation avoidance agreements.

Under Mauritius law, entities which hold a category 1 Global Business Licence (GBL1) have access to Mauritius' avoidance of double tax agreements ("DTAs"). GBL1 companies may claim a credit for foreign tax on income not derived from Mauritius against the Mauritius tax payable. If no written evidence is provided to the Mauritius Revenue Authority showing the amount of the foreign tax charged, the amount of foreign tax paid is deemed to be equal to 80% of the Mauritius tax chargeable with respect to that income.

Consequently, the effective tax rate will be between 3% and nil, depending on the circumstances. As mentioned, there is also no capital gains tax and no withholding tax on dividends and/or interest or royalties paid to non-residents by Mauritius entities.

Mauritius Ranked First in Africa

In addition to the fiscal advantages which Mauritius has to offer, there are a number of additional non fiscal advantages which should be taken into account. Mauritius is a well regulated business jurisdiction which has a good record of adherence to international standards of best practice and offers a convenient time zone location. Mauritius also enjoys an abundance of professional service providers at a relatively low cost, an educated and multilingual workforce, with English and French being the main business languages, as well as economic and political stability. Mauritius has a hybrid legal system consisting of English and French law, and the Privy Council in England is still the final court of appeal.

Mauritius has been ranked first in Africa by the following indices:

Index	Organisation	Rank
Ease of doing business 2016	World Bank	1st
Economic Freedom 2016 Index	Heritage Foundation	1st
Ibrahim Index of African Governance 2015	Mo Ibrahim Foundation	1st
Democracy Index 2015	The Economist Intelligence Unit	1st
Economic Freedom of the World 2015	Fraser Institute	1st
Best Country for Business 2014	Forbes	1st
Quality of Living Survey 2014	Mercer	1st
Global Enabling Trade Report 2014	World Economic Forum	1st
Knowledge Economy Index 2012	World Bank	1st

Investment Promotion & Protection Agreements ('IPPAs')

Being an African nation, Mauritius has signed IPPAs with a number of African countries. Although Mauritius also has significant tax advantages to offer through its network of DTAs (discussed further below), the existence of IPPAs is perhaps an even more important advantage for investors who wish to invest in African countries where there might be a real or perceived increased risk of nationalisation or confiscation of assets. The IPPAs encourage and protect investments by minimising the possibility of any deprivation of investments due to nationalisation or confiscation of assets. In the worst case scenario, any deprivation of investments will have to be justly compensated and the agreements provide arrangements for the settlement of disputes between investors and the contracting states.

Mauritius has IPPAs with 21 African countries. Eight of these are signed² and in force, and the IPPAs for the remaining 13 are signed but awaiting ratification³

Multilateral Investment Guarantee Agency ('MIGA')

Mauritius is a member of MIGA, a World Bank agency. MIGA provides non-commercial guarantees (effectively political insurance) for cross border investments in developing countries. Companies incorporated in Mauritius are eligible for MIGA guarantees. The guarantees protect investors against the risks of transfer restrictions, expropriation, war and civil disturbances, breach of contract and failure to honour sovereign financial obligations.

Member of Major African Regional Organisations

Mauritius is a member of the major African Regional Organisations which provide preferential access to markets in the Africa region such as the African Union, the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA) and the Indian Ocean Rim – Association for Regional Cooperation (IOR-ARC).

² Burundi, Egypt, Madagascar, Mozambique, Republic of Congo, Senegal, South Africa and Tanzania

³ Benin, Cameroon, Comoros, Gabon, Ghana, Guinea Republic, Kenya, Mauritania, Rwanda, Swaziland, Tchad, Zambia and Zimbabwe

Unlike most other low tax jurisdictions, Mauritius has an extensive network of DTAs, including 20 with African countries. African DTAs currently are as follows:

Country	Dividends (%)		Interest (%)		Royalties (%)		Capital Gain (%)	
	Non-treaty	Treaty	Non-treaty	Treaty	Non-treaty	Treaty	Non-treaty	Treaty
Botswana	15	5/10	15	12	15	12.5	25	0
Republic of Congo	20	0/5	20	5	20	0	30	0
Egypt	22.5	5/10	20	10	20	12	22.5	0
* Kenya								
* Gabon								
Lesotho	25	10	25	10	25	10	25	0
Madagascar	0	5/10	20	10	10	5	20	0
* Morocco								
Mozambique	20	8/10/15	20	8	20	5	32	0
Namibia	10/25	5/10	10	10	10	5	0	0
* Nigeria								
Rwanda	15	0	15	10	15	10	30	0
Senegal	10	0	16	0	20	0	30	0
Seychelles	15	0	15	0	15	0	0	0
South Africa	15	10	15	10	15	5	18.6	0
Swaziland	15	7.5	10	5	15	7.5	0	0
Tunisia	5	0	20	2.5	15	2.5	25	0
Uganda	15	10	15	10	15	10	30	0
Zambia	15	5/15	15	10	20	5	0	0
Zimbabwe	10/15	10/20	15	10	15	15	20	0

* Signed but awaiting ratification
Treaties with Burkina Faso, Cape Verde and Ghana await signature

Example of the Benefits of Mauritius

We have recently assisted a corporate client's expansion into Mozambique. After reviewing all of the possible jurisdictions with their tax adviser, including the Netherlands, the UK and South Africa, Mauritius was considered to be the most advantageous jurisdiction. In addition to the non-fiscal advantages of using Mauritius, the company achieved a reduction in withholding taxes on dividends and interest from its Mozambique subsidiary from 20% to 8%, and a reduction in capital gains tax on any future sale of the Mozambique subsidiary from 32% to 0%.

The Group

Salamanca Group is a privately-held Merchant Banking business, which integrates traditional investment and advisory services with a dedicated Private Office.

We build highly valued, long-term relationships with individuals, corporates, institutions and governments, offering strategic advice and specialist know-how through our four divisions; Special Situations, Corporate Advisory, Real Estate and Trust & Fiduciary.

Each division tailors its services as well as draws on the wider Group's expertise to deliver integrated, consistent advice, always with the client at the centre.

We ensure a collaborative approach with our clients, in order to enable their business, protect their assets and grow their capital.

Trust & Fiduciary

We enable families to administer, grow and protect their wealth for future generations

The Trust & Fiduciary team provides extensive fiduciary, corporate and family office services from Jersey, Geneva and Mauritius.

The team works with international high net worth families to enable them to administer, grow and protect their wealth for future generations. We often work with the second and third generation beneficiaries. These long-term relationships, and a deep level of involvement, enable us to fully understand and enhance a family's personal, business and financial circumstances.

Professional Advice

This note is for general information purposes only and provides a brief overview of the relevant issues as at May 2016. Whilst all reasonable care has been taken to ensure the accuracy of its contents, this note should not be regarded as comprehensive or as a substitute for specific professional advice. Salamanca Group Trust (Mauritius) Ltd's services do not include the provision of legal or tax advice. It is important to note that there are almost always tax implications to consider when a structure is established. We work closely with an international network of expert legal and tax professionals who are able to provide the required advice for the establishment of compliant structures.



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