Domicile report: Mauritius

By Malcolm Moller, managing partner, Mauritius office, Appleby

Since independence from Britain in 1968, Mauritius has diversified its economy by developing industrial, financial, and tourism sectors. For most of the period, annual growth has been in the order of 5% to 6%. The government has successfully encouraged the introduction of external financial institutions to stimulate investment and diversify the economy. Mauritius now has more than 30,000 global business company registrations and 460 registered global funds with a Net Asset Value in excess of USD35 billion.

The global business industry in Mauritius is active mainly for inbound investment into India, Africa and China. Mauritius is a member of the WTO, the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC), and has the effective commercial and legal infrastructure required to support the development of a global business network. Mauritius has become number one in providing Foreign Direct Investment in India, due to the favourable treatment under a double taxation treaty between the two countries, among others. Many investment and hedge funds are incorporated in Mauritius for the specific purpose of investment in India. Capital gains derived from the sale of securities held by a Mauritius fund and any dividends and proceeds paid by a Mauritius fund to the shareholders, will be exempt from Mauritius tax.

As is with any tax favourable jurisdiction, the media sporadically reports on possible challenges to the tax status Mauritius has with India. However, unless and until the two nations renegotiate the treaty, Mauritius will be a recommended and effective jurisdiction for access to, and no doubt will continue to be the number one jurisdiction in providing Foreign Direct Investment into, India.

So whether utilising a collective investment scheme, a closed end fund or a myriad of other investment vehicles, Mauritius is the offshore jurisdiction for dynamic opportunities for investment in the African and Asian markets. ■

The Republic of Mauritius, established in 1992, is a parliamentary democracy modeled on the British system. The separation of powers within the Government is embedded in its constitution. The President is the head of state while the Prime Minister has full executive power and is the Head of Government and the National Assembly is determined through parliamentary elections. Mauritius has a composite legal system consisting of British common law practices and the French Napoleon Code. The country is still a member of the Commonwealth and the Privy Council in London is the highest court of appeal.

Tax treaties: India and China

Mauritius has no capital gains tax. As gains from the sale of shares of an Indian company by a hedge fund or other global investor using a Mauritius company can be taxed only in Mauritius, the proceeds from the sale of shares may be distributed tax-free as dividends to shareholders. The Mauritius-China tax treaty includes a similar provision, but tax exemption does not apply if the Chinese company whose shares are being disposed of holds assets consisting primarily of real estate or other immovable property.

(Summarised from 'Mauritius: The ideal investment platform for hedge funds' by PricewaterhouseCoopers)