

**DOING
BUSINESS
IN**

MAURITIUS

English Version



Appavoo & Associates

Public Accountants and Managements Consultants

*Doing Business
in Mauritius*

English Version

Foreword

This booklet has been prepared for the use of clients, partners and staff of HLB International member firms. It is designed to give some general information to those contemplating doing business in Mauritius and is not intended to be a comprehensive document. You should consult us, therefore, before taking further action.

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HLB APPAVOO & ASSOCIATES

Public Accountants & Management Consultants

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General Information

Introduction

Mauritius is traditionally recognised as a world-class tourist destination and it has, over the years, emerged as a safe investment location due to its long-established tradition of socio-political stability, a free market economy and good governance.

Geography

Mauritius lies approximately 2,400 kilometres off the South Eastern Coast of Africa between latitude 20° South and longitude 57° East, in the Indian Ocean.

The island is of volcanic origin and covers an area of around 1865 square kilometres. The central plateau rises up to 400 metres above sea level and is surrounded by a transparent turquoise lagoon with some 150 kilometres of sandy beaches. The Island has mountains in different regions, tropical forests, plants and rivers which add to its natural beauty.

The capital is Port Louis in the North West of the Island, with the principal towns located mainly on the central plateau.

Mauritius standard time is GMT +4 hours, and the Island does not operate Daylight-Saving Time. Mauritius summer time is GMT +5 hours from the last Sunday of October to the last Sunday of the following March.

Climate

The Climate is sub-tropical with

temperatures ranging from 15°C (July/August) in winter particularly on the central plateau to 34°C (December/February) in summer

Rainfall varies from 1,200 mms per annum on the North coast to 3,600 mms on the central plateau mainly in summer from around November to May.

The island is prone to cyclones especially between December and March.

History

Mauritius was discovered in the 16th Century by the Portuguese. The Dutch tried without success to colonize it in the early 18th century. In 1721, it was seized by the French East India Company. The French government later took control of the island until the British conquest in 1810.

Mauritius gained independence in 1968 and became a Republic in 1992. It continues to form part of the British Commonwealth.

Population

The population which is estimated at 1.3 million has an annual growth rate of about 0.65% and is made up of people of Indian, African, European and Chinese origin. More than 60% of the population is in the age group 15-59 and women account for 50.6% of the total population.

Language

Most Mauritians are trilingual, being equally fluent in English, French and Creole (a language spoken throughout the Indian Ocean, in Reunion Island and the Seychelles notably). English is the official language but business is also conducted in French. Children generally study another language at school, like Hindi and Mandarin. Education which is free from primary to tertiary levels has boosted literacy in Mauritius to a high rate of 90%.

Government

Mauritius has a parliamentary democracy. The single house National Assembly consists of 70 members and is modelled on the democratic pattern of Westminster. The President is Head of State while full executive power rests with the Prime Minister who is Head of Government.

Legal System

Mauritius has a hybrid legal system based on both English and French laws.

Company Law is based on the English law whilst the substantive private law is based on the French Napoleonic Code of 1804, revised since, to follow the evolution of the society.

The highest Court of appeal is the Judicial Committee of the Privy Council in England. Mauritius is a member of the International Court of Justice and other international bodies set up for the settlement of disputes, namely the International Centre for Settlement of Investment disputes and the 1958 New

York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

The Mauritian Constitution guarantees independence of the judiciary and the holding of free elections every five years.

Foreign Relations

In addition to bilateral trade agreements contracted with other countries, Mauritius is a signatory of a number of International and Regional Trade Agreements opening the door to preferential market access and they include the following:

- The General Agreement on Tariffs and Trade (GATT)
- The Lomé Convention
- The Common Market for Southern & Eastern Africa (COMESA)
- The Southern African Development Community (SADC)
- The General System of Preferences (GSP)
- The Indian Ocean Rim Association for Regional Co-operation (IORA)

Mauritius is also a signatory of the Africa Growth and Opportunities Act (AGOA), a trade agreement between the USA and Sub-Saharan countries. It has also signed bilateral Investment Promotion and Protection Agreements (IPPAs) with 18 countries and has Double Taxation Avoidance Treaties (DTAs) with 36 countries.

The country has long-established international relations with reputed organisations and is a member of

- The United Nations and its agencies
- The World Bank

- The International Monetary Fund
- The World Trade Organisation
- The Organisation of African Unity

Contrary to popular belief, Mauritius is far from being a tax haven. Indeed, the country is on the white list of the OECD for its respect of international standards in terms of financial transparency, security and stability.

Communication Infrastructure

There are frequent scheduled air services to major international destinations thanks to the quality of its local airline company, and to the presence of major other airlines such as British Airways and Emirates. In addition, there are regular sea and air freight services to and from European, American, African, and Asian countries.

As a result, Mauritius owns the second most important container port in sub-Saharan Africa, capable of servicing cargo vessels of fifth-generation with its 13 metres depth.

The postal, courier and telecommunication services are excellent with international direct dialling and worldwide data communication facilities. Mauritius is connected to the SAFE fibre optic network which links Europe with the Far East via South Africa.

Currency

The local currency is the Mauritian Rupee (MUR). The value of the rupee is linked to a trade-weighted basket of currencies related to the Mauritian foreign trade.

Exchange rates as at 1st March 2012 were as follows:

U.S Dollar	1 USD = 28.55 MUR
G.B Pound	1 GBP = 44.73 MUR
Euro	1 EUR = 37.46 MUR
Japanese Yen	100 YEN = 35.58 MUR
Australian Dollar	1 AUD = 30.13 MUR

Economic Indicators (2011)

The main Economic Indicators for year 2011 are reproduced below:

GDP 2010 (billion)	- 10.3 USD
GDP Real Growth Rate	- 4.1%
GDP per Capita	- 7,834 USD

GDP Composition is as follows:

Agriculture	- 3.7%
Industry	- 18.1%
Construction	- 6.5%
Tourism	- 7%
Financial Intermediation	- 10%
Real Estate, Renting etc	- 12.9%
Other services	- 41.8%

Investment Factors And Economic Review

Introduction

Mauritius has emerged as one of the strongest economies in sub-Saharan Africa. Over the years, the Island has developed an open-market, broad-based and resilient economy, offering a safe and business-friendly location for the investor community. The Island is poised for further growth and is set to become a major business and financial hub in this region of the world.

A New Economic Vision

Mauritius has taken bold measures to remove obstacles to investment and entrepreneurship and adopted a most revolutionary 'Business Facilitation Act' in 2004 which makes it possible to set up a business and become operational in just THREE DAYS, provided the administration possesses all the necessary supporting documents and evidence enabling it in particular to assess the morality and respectability of the entrepreneur.

The new Act has created a simplified operational framework with a level-playing field for all investors and all economic sectors. This new Economic Vision was designed to make Mauritius open to the world.

Led by the vibrant and dynamic 'Board of Investment' (BOI), a state department which works under the aegis of the

local Ministry of Finance and Economic Development, Mauritius is pursuing a multi-pronged development strategy based on a liberal and open investment policy in order to achieve sustainable growth in a fast globalizing world economy. The key elements of the strategy are:

- Consolidation of traditional industries
- Diversification of the industrial base
- Development of emerging sectors
- Harnessing the services industries of the future

Mauritius has been graced with various accolades from international organisations which have given credit to its economic achievements and it is worth mentioning that, inter alia, Mauritius has been ranked 23rd out of 183 countries and 1st in Africa in the World Bank Doing Business 2012. This economic index assesses the conductivity of the regulatory environment of a country to the starting and operation of a local firm.

Investment factors

Mauritius offers a competitive business environment and is both a low tax jurisdiction and a competitively priced business place. Our successive governments have all shown strong and sustained commitment to a market-driven economy where free enterprise can flourish and foreign investment prosper.

Foreign nationals are allowed to work and/or live in Mauritius under three distinct schemes:

- As a retired non-citizen, irrespective of age and nationality
- As a professional
- As an investor

They may also obtain 'Permanent Residence' after satisfying certain conditions regarding investment or their business' results.

The main reasons which make Mauritius unique and which represent the platform on which it has built its competitive advantages as a business place are summarised below:

Social and political stability

Mauritius is a rare example of social peace, unity and stability in a multicultural and multiethnic society. The people enjoy freedom of expression and of religion with complete freedom of the press.

An educated and multi-lingual workforce

Mauritius has the highest adult literacy rate of the whole of Africa. The Island is now reaping the benefits of a strong commitment to free education initiated in the late 70's. This highly disciplined and educated workforce is fluent in English and French, while many also speak a third international language: Hindi, Mandarin, Urdu and a host of European languages.

A business friendly environment

Any foreign investor can settle hassle-free in Mauritius and be operational in just 3 days. Added to this Mauritius offers one of the world's most generous tax regimes, where personal and corporate tax are harmonized at a low 15% and where dividends are tax free. There is no exchange control in Mauritius.

A modern legal framework

Commercial law in Mauritius is a combination of the English Common Law and the French Napoleonic Code. Companies setting up in Mauritius fall under the provisions of the Companies Act 2001, the Island has a National Code on Corporate Governance and Government has enacted anti-money laundering and terrorist financing legislation while the business framework itself has been made simpler.

A safe and enjoyable place to work and live

Mauritius is a safe place to live and work either as a national or an expatriate single professional, family or retired person. Crime prevalence is very low making Mauritius one of the safest law-abiding countries of the world. On the health front, the country is free from many of the diseases affecting sub-tropical countries of the world. The country is proud of its various schools of international standards, its several public and private hospitals and clinics besides its lovely beaches and leisure facilities.

The Economic Environment

The Mauritian economy has undergone

remarkable transformation since independence in 1968. A review of the main economic sectors is opportune:

Agriculture

Mauritius was a mono-crop economy for more than 300 years, dominated by sugar cane production which still occupies a major proportion of the Agricultural Sector's activity.

With the phasing-out of the Sugar Protocol (Lomé Convention) and increases in costs, the new sugar industry is now being transformed into a competitive cluster with flexible factories producing raw sugar, white sugar, electricity, ethanol and energy. The sugarcane industry can now export its skills and competencies in Southern and Eastern Africa.

An aggressive diversification programme has been designed by government to give impetus to sub sectors including vegetable & fruit cultivation, the production of cow milk and flowers.

Industry

Another main pillar of the Mauritian economy is its export manufacturing sector which has been the main thrust of the government's programme in its strategy to reduce its over-dependence on sugar.

In the 1970's Mauritius was one of the first developing economies to have embarked on the creation of an Export Processing Zone. Fiscal and other incentives have accelerated growth in the manufacturing sector whose export earnings have

overtaken the sugar sector since the 1980's.

Today, the manufacturing sector, mainly textile production, spearheads economic growth with export markets throughout the world, although concentrated in Europe. The inclusion of Mauritius on the list of beneficiary countries of the Africa Growth and Opportunities Act (AGOA) adopted by the US senate has opened the way for a diversification of the export markets for quota-free and duty-free access to the North American market.

Tourism

Tourism is the third most important sector in terms of foreign exchange earnings. Mauritius has many luxurious hotels some ranking among the best in the world with a reputation for excellence for their services. More than 900,000 tourists visit the Island every year and the present objective is to attract two million tourists by the year 2015. Since the late 1980's, the government's stated policy is to concentrate its efforts on low-impact and high spending tourism so as to maintain the island's market profile as a luxury beach holiday destination.

Business & Financial Intermediation

The "Business and Financial Intermediation Sector" has become an engine of growth over the last decade and is now a significant contributor to National Income. Mauritius has adopted best international practices in its law and its regulations to prevent misuse of the local jurisdiction. A strong presence of financial institutions has been established

in the centre comprising banking institutions, insurance companies, fund managers, foreign exchange dealers, money changers, credit institutions, asset management companies, bond dealers, leasing companies and stock brokers.

Information & Communication Technology

The Information and Communication Technology (ICT) industry is now a priority sector identified by government which aims to transform the country into a cyber Island. An increasing number of I.T. companies from the US, India, and Europe have set up their business in Mauritius. Business Process Outsourcing (BPO) is by far the best performer of the ICT sector followed by software development and call centre operations. The liberalisation of the telecommunications sector has encouraged the entry of new operators in the market resulting in the exponential growth of mobile phones and internet users. The whole Island is covered by ADSL connection.

New Emerging Sectors

A number of new schemes have been designed by Government aimed at attracting investors, professionals and high Net-Worth foreigners. They include:

Real Estate Development

Regulations have been made to encourage the construction and development of luxurious villas for sale to both local and foreigners buyers under the 'Integrated Resort Scheme' (IRS), the 'Real Estate Scheme' (RES) and the 'Invest Hotel

Scheme' (IHS). Such projects also provide for leisure and recreational facilities and they are fully integrated in the particular regions of the Island where they are developed.

Sustainable Energy

Electricity in Mauritius is currently produced from imported fossil fuel, coal and bagasse (a by-product of sugarcane). With the high volatility in fuel prices, it has become imperative to look for alternative sources of energy and Mauritius is an ideal location for the production of renewable energy such as wind, solar and wave energy. Government has recently set up a special Fund called the 'Maurice Ile Durable' (MID) project to boost up the production of renewable energy, and policies have been devised for the production and sale of electricity to the National Grid at a premium by Small Independent Power Producers (SIPP).

Land-based Oceanic Industry

Mauritius straddles the Great Conveyor Belt that moves massive undercurrents of mineral and nutrient-rich deep sea water around the globe. This water flows down at a depth of 1,000 metres in our oceans and Mauritius will be the first country in the world to exploit this pure water through sustainable and environment-friendly technologies and processes for the following commercial applications:

- Health promotion and well-being
- Food and beverages;
- Medicinal and agricultural products;
- Sterilisation and freshness preservation;

- Renewable energy using the coldness properties of the water.

Seafood Industry & Aquaculture

Mauritius has an Exclusive Economic Zone (EEZ) of 1.9 million km² world-class infrastructure which includes a modern port capable of berthing vessels up to 100 metres. The Mauritius Freeport is a duty-free logistics, distribution and marketing hub for the region where logistics and warehousing facilities are readily available for the transshipment, storage, processing and export of products such as seafood.

The Global Business Sector

Introduction

Mauritius has successfully set-up offshore business activities (termed 'Global Business') as far back as 1992. The sector has been continuously enhanced and modernised with new and innovative legislation over the years and today Mauritius is reputed to be an International Financial Centre of substance and excellence of world standard.

Licensing, Monitoring and Supervision

The licensing, monitoring and supervision of the Global Business sector is entrusted to the Financial Services Commission (FSC) which was set-up under statute in 2001.

The FSC also has under its purview the insurance sector, the country's stock exchange and non-banking activities (such as fund management, collective investment schemes, investment advisory services and leasing). Besides its regulatory role, the FSC is also committed to the sustained development of Mauritius as a credible, sound, stable and competitive international financial services centre.

The Legal and Regulatory framework

In order to consolidate its legal, regulatory and supervisory framework, Mauritius has developed and adopted a number of bold and innovative laws for the financial and non-banking sector which include the following:

Financial Services Act 2007

The Act provides for the independence of the FSC as a regulatory body and it redefines the Global Business player as 'a resident corporation which conducts business outside of Mauritius'. It also provides a common framework for licensing and supervision of the global business sector and opens the way for alternative legal regimes for the conduct of international business.

Since the introduction of the Finance (Miscellaneous Provisions) Act 2010, foreign companies are fully integrated in Mauritius' economic environment and they can now conduct their activities internationally, but also locally.

Companies Act 2001

The Act (of French and British inspiration) provides a core statement of company law and offers modern vehicles for domestic and international investors to invest in Mauritius in line with International best practice. To enable adaptability to the rapidly changing commercial world, it provides for a high level of flexibility which caters for small as well as large enterprises.

Trust Act 2001

The Act provides for the creation of different types of trusts and contains specific provisions which aim at preventing a trust being attacked on the basis of forced heirship rules. There is

no mandatory requirement to register a trust with the regulatory authorities in Mauritius but the Act imposes a strict duty of care and confidentiality on trustees.

Anti-money laundering legislation

Mauritius has set up a Financial Intelligence Unit (FIU) since August 2002 and has adopted a series of modern laws to combat money laundering. The main legislation comprises of:

- *Financial Intelligence and Anti-money Laundering Act 2002*
- *Prevention of Corruption Act 2002*
- *Prevention of Terrorism Act 2002*

The Scope of Global Business

There is no limitative list of activities for global business in Mauritius. Gradually the Island is becoming an attractive jurisdiction for investment funds business, investment holding, international trading, asset management and collective investment vehicles. Emerging market funds are more and more looking at Mauritius as the ideal gateway for investment in Asia and Africa.

Business Structures

Two types of Global Business Licences are issued by the FSC for the conduct of global business: the Category 1 Global Business (GBC1) and Category 2 Global Business Licence (GBC2).

GBC 1

This vehicle may be used by any resident or non resident to conduct business in the jurisdiction and it may be limited

or unlimited by shares or guarantee. Additionally, a GBC1 may be structured as any of the following:

- A 'Limited Life Company' which provides for termination of the corporate life of the structure.
- A 'Protected Cell Company' which is a special legal structure made of 'cellular' and 'non-cellular' assets. It provides for the legal segregation of assets attributable to each cell.
- A 'Collective Investment Scheme' or a 'Global Fund' to spearhead investment business. Global Fund companies may also be listed on the Stock Exchange of Mauritius.
- A 'Limited Liability Partnership' (LLP), a 'Société en Nom Collectif' (general partnership), or 'Société en Commandite Simple' (limited partnership) – as per Mauritian Law, partnerships are registered by notarial act.
- A Trust including a 'purpose' trust.

The main features of the GBC1 are:

- Can have a single shareholder
- Free repatriation of profit and capital
- Shall maintain at all times its principal bank account in Mauritius
- Shall maintain its accounting records at its registered office in Mauritius
- Shall prepare accounts under IFRS which should be audited by a Registered Auditor in Mauritius
- Has access to tax treaty network
- Should provide for meetings of Directors to include at least 2 directors from Mauritius.
- It is liable to a uniform tax rate of 15% which is reduced to an effective rate of

3% after the application of automatic tax credit (automatic tax credit is not applicable on results from activities conducted on the Mauritian local market).

increase its treaty network.

The Table on the next page is a snapshot of the existing treaty network.

GBC 2

This vehicle takes the form of a limited company and is suitable for holding private assets and to conduct international trading and invoicing.

The main features of the GBC2 are:

- It may be structured as a company limited by shares or guarantee or both or as a 'Limited Life Company'
- It is exempt from taxation in Mauritius
- It is not required to file annual accounts
- It is not resident for tax purposes and therefore, cannot benefit from double taxation relief under tax treaties
- It cannot conduct business with Mauritian residents, nor in Mauritian money.
- It must be administered as a resident agent by a management company, and its head office based in Mauritius.
- Audited annual accounts are not required and accounts are not public. However, the company has to maintain its accounts with its authorised resident agent to show its financial situation, and a copy of its balance sheet has to be sent annually to the FSC.

Tax Treaties

Mauritius has so far concluded 33 treaties with different countries and it continues to negotiate with other countries in order to

Highlights of double taxation treaties

Country	Minimum Duration to constitute permanent establishment		Maximum Tax Rates applicable in the State of Source		
	Building Site, &c	Furnishing of services	Dividends	Interest	Royalties
Barbados	> 6 months	-	5%	5%	5%
Belgium	> 6 months	-	5% & 10%	10%	Exempt
Botswana	> 6 months	> 6 months*	5% & 10%	12%	12.5%
China	> 12 months	> 12 months**	5%	10%	10%
Croatia	> 12 months	-	Exempt	Exempt	Exempt
Cyprus	> 12 months	> 9 months*	Exempt	Exempt	Exempt
France	> 6 months	-	5% & 15%	Domestic rate	15%
Germany	> 6 months	-	5% & 15%	Domestic rate	15%
India	> 9 months	-	5% & 15%	Domestic rate	15%
Italy	> 6 months	-	5% & 15%	Domestic rate	15%
Kuwait	> 9 months	-	Exempt	Exempt	10%
Lesotho	> 6 months	> 6 months*	10%	10%	10%
Luxembourg	> 6 months	-	5% & 10%	Exempt	Exempt
Madagascar	> 6 months	-	5% & 10%	10%	5%
Malaysia	> 6 months	-	5% & 15%	15%	15%
Mozambique	> 6 months	> 6 months*	8%. 10% & 15%	8%	5%
Namibia	> 6 months	> 6 months*	5% & 10%	10%	5%
Nepal	> 6 months	> 6 months*	5%. 10% & 15%	10% & 15%	15%
Oman	> 6 months	-	Exempt	Exempt	Exempt
Pakistan	> 6 months	-	10%	10%	12.5%
Bangladesh	>12 months	> 12 months	10%	Normal rate	Normal rate
Rwanda	> 12 months	> 12 months	Exempt	Exempt	Exempt
Senegal	> 9 months	> 9 months*	Exempt	Exempt	Exempt
Seychelles	> 12 months	> 6 months*	Exempt	Exempt	Exempt
Singapore	> 9 months	-	Exempt	Exempt	Exempt
South Africa	> 9 months	-	5% & 15%	Exempt	Exempt
Sri Lanka	> 6 months	> 6 months*	10% & 15%	10%	10%
State of Qatar	> 6 months	> 6 months*	Exempt	Exempt	5%
Swaziland	> 6 months	> 6 months*	7.5%	5%	7.5%
Sweden	> 6 months	-	5% & 15%	15%	15%
Thailand	> 6 months	> 6 months*	10%	10% & 15%	5% & 15%
Tunisia	> 12 months	-	Exempt	2.5%	2.5%
Uganda	> 6 months	> 4 months*	10%	10%	10%
UAE	> 12 months	> 12 months	Exempt	Exempt	Exempt
UK	> 6 months	-	10% & 15%	Domestic rate	15%
Zimbabwe	> 6 months	-	10% & 20 %	10%	15%

* within any 12 months period

** within any 24 months period

- **3 treaties await ratification:** Russia, Congo, Zambia.
- **5 treaties await signature:** Egypt, Kenya, Malawi, Nigeria, Ghana.
- **12 treaties are being negotiated:** Algeria, Burkina Faso, Canada, Czech Republic, Greece, Monaco, Portugal, Republic of Iran, Saudi Arabia, St Kitts & Nevis, Vietnam and Yemen.

Banking & Finance

Introduction

Mauritius set up its first commercial bank as far back as 1813 after the British took over the Island from the French. Banking business is licensed, regulated and monitored by Bank of Mauritius, the central bank, which was established in September 1967 modelled on the Bank of England.

The legislative and regulatory framework

The Banking Act 2004 is a modern piece of legislation which regulates the banking and non-banking business in Mauritius. It enshrines banking confidentiality and provides that requests for information would have to be authorised by a Judge of the Supreme Court.

The Bank of Mauritius issues extensive guidelines for the proper conduct of banking business. In line with best international practice, the Central Bank has implemented with a participative approach, the Core Principles for Banking Supervision set by the Basel Committee on Banking Supervision. The guidelines under Basel I, Basel II and Basel III have been implemented for the management of risks in the banking business.

The Bank of Mauritius uses the Repo Rate instead of the Lombard Rate as the key policy rate to signal changes in its monetary policy.

The banking business landscape

There are some 20 commercial banks in operation in Mauritius with a diversified spread of locally incorporated banks, subsidiaries of foreign banks and branches of foreign banks. Two locally incorporated banks are among the top ten banking institutions of the Sub-Saharan region.

Banks in Mauritius are also allowed to carry on Islamic banking.

The landscape is further strengthened by Non-Bank deposit taking institutions, Money Changers and Foreign Exchange Dealers.

Exchange Control

With the emergence of a market-based financial sector, exchange control restrictions have been totally suspended.

The Development Bank of Mauritius

The Development Bank of Mauritius Ltd (DBM) provides long and medium term finance to Industry, Tourism, Agriculture and other key sectors related to the country's economic development, at preferential rates. In certain cases the bank may also take a limited participation in equity. The bank's loans have an average life span of 5 to 10 years including a grace period of up to 1 year.

Term loans are sanctioned on the basis of 50 to 60 per cent of the capital costs of projects.

The DBM also operates an 'Export Credit Guarantee Scheme' which aims at covering Commercial Bank's losses that may arise as a result of pre-shipment and post-shipment guarantees issued to exporters by those banks.

The 'Export Credit Insurance Scheme' is another scheme operated by the DBM designed to cover exporters against losses, after the export of goods that may arise due to commercial risks as well as country or political risks.

Stock Exchange

The Stock Exchange of Mauritius was set up in 1989. It comprises an Official List Market as well as an Over the Counter Market. In order to obtain a listing of the official market, a Company must have a minimum Capitalisation Value of MUR 20 millions with at least 25 % of shares held by the public. In 2001 our Automated Trading System was introduced coupled with the Central Depository and Settlement System (CDS) which is fully computerized and which operates in accordance with International Standards.

Insurance

The Insurance sector is regulated by the FSC under the Insurance Act 2005. Local Insurance business is classified into:

- Long term Insurance Business (Life), and

- General Insurance Business (non-life)

The insurance business is largely private owned and is dominated by a few players which include some re-insurance companies and a few 'Captive Companies' which essentially insure the risks of their parent companies.

Leasing

A number of Leasing Companies have been set up in the non-banking sector providing finance leases to eligible clients for the purchase of machinery and equipment. Leases are offered for periods ranging between 3 to 7 years depending on the nature of the equipment, and they also provide an option for the lessee to purchase the leased asset at the expiry of the contract period.

State Investment

The State Investment Corporation (SIC) is a Limited Company set up by Government to manage its investments portfolio in the private sector and to participate in the equity of new and existing companies in the Industrial, Tourism and Agricultural sectors.

The State has declared its intention to withdraw in favour of private investments and concentrate on its role of regulator. The privatization process is already under way.

State involvement in setting-up measures to counter the financial crisis

The Mauritian Government has played

an active part in managing the different financial and economic crises of the last decade. Since the first financial crisis of 2008, the Government has set up a special fund (Additional Stimulus Package) to help companies cope with it and protect employment. The management of those financial crises was supported by the participation of the private sector, and it is worth noting that the budgetary and financial situation of the Island has remained quite healthy.

Employment Law And Practices

The Legislative Framework

Remuneration and working conditions in Mauritius are governed by the Employment Rights Act 2008, the Employment Relations Act 2008 and by National Remuneration Orders which are prescribed for various employment sectors. The Ministry of Labour, Industrial Relations and Employment oversees the labour sector.

Labour Market

The total labour force in Mauritius is about 606,500 people with a male ratio of 62%. The recorded unemployment rate for year 2011 was less than 8%. Unemployment is more pronounced among women and young adults. With a highly literate and bilingual population, Mauritius offers a skilled and flexible labour force which has largely contributed to the impressive economic performance of the country. Wage rates in Mauritius are still a fraction of those prevailing in the newly industrialized countries. Wage restraint is seen as vital in maintaining the country's competitiveness and wage awards in both the public and private sectors have been kept under control.

Generally, annual cost of living compensation is decreed by Government for the country as a whole and all employers are legally bound to apply the increase. The compensation is set by a national Tripartite Committee (TC): State, Employers and Employees representatives.

Industrial Relations climate

The Industrial Relations climate in Mauritius is a healthy one. Trade Unions are not precluded from negotiating for wage increases based on the productivity and other factors. Strikes, although legal, are a rare occurrence. Disputes are settled either by arbitration or by the Industrial Court which hears all litigation cases. More and more emphasis is now placed on 'Collective Bargaining' and 'Mediation', and Government has published a Code of Practice under the Employment Relations Act 2008 to promote good employment relationship and provide mediation guidance.

Working Hours

A normal day's work for a worker (other than a part-time worker or a watchman) consists of 8 hours or 90 hours for a fortnight. The normal working week for most blue collar jobs consists of 40 hours on a five-day week basis.

Overtime

Overtime work is remunerated at rates ranging from 1.5 to 2 times the basic rate depending on the length of the overtime work and the day on which it is performed. The law allows flexibility for mutual agreement between employers and employees who have to work on public holidays and Sundays.

Allowances

Employers are required to pay meal allowances to employees working beyond certain hours.

Travel allowances are payable if the journey between the workplace and the area where the worker lives, exceeds 3km.

Bonus

Productivity and attendance bonuses are paid in certain sectors and are based on actual agreements between employers and employees. However, the law provides for the payment in December of an End-Of-Year equivalent to one twelfth of the basic wage or salary earned during the year.

Leave

Under current legislation, in addition to Sundays and Public Holidays, workers who have been in continuous employment with the same employer for 12 consecutive months are entitled, in the following twelve months, to 20 days paid annual leave and 15 days sick leave. Absence of 3 days or more on grounds of illness must be validated by a medical certificate on the fourth day before 10.00 a.m.

A female employee is entitled to a maternity leave of 12 weeks and the law also provides for a 'paternity leave' of 5 continuous working days from the birth of a child.

Health & Safety

Every employer who employs more than 10 workers must provide arrangements for medical and health care in the place of work. Under the Occupational Health & Safety Act 2005, every employer employing more than 50 persons must establish a Health & Safety Committee, and publish its Health and Safety policies for the information of its employees.

Statutory Contributions

Employers are required by law to make contributions to certain funds based on employee' earnings as per the table below:

Funds	% Of Basic Salary
National Pensions Fund	6.0%
Training Levy	1.5%
National Savings Fund	2.5%

Employees also have to contribute to the National Pensions Fund at the rate of 3% on their basic salary as well as 1% to the National Savings Fund.

Termination of Employment

The official retiring age in Mauritius is 65 years.

Notice of intention to terminate employment by an employer must be given with a delay of 30 days. A worker whose employment is terminated may elect to join a 'Workfare Programme' set up under legislation whereby he can derive an 'employment benefit' under the 'Transitional Unemployment Benefit Scheme' during the first twelve months following the termination. In the meantime, the employee will be assisted to get a new job, or be re-skilled and trained for another job, or be assisted to set-up his own enterprise.

An employer who terminates the contract of employment of its employee will have to pay a 'Recycling Fee' into a special fund and the amount is based on the employee's term of service.

In the case of dismissal of an employee on economic grounds, as for example the business is facing difficulties, employees will be entitled to a Severance Allowance equivalent to 15 days' for each year of service. In the case on unjustified dismissal, a punitive rate of 3 months for each year of service is payable to the worker.

Expatriates

An 'Occupational Permit' (OP) is issued within 3 days of application to Investors, Self-employed Individuals and Employed professionals which allows them to reside

and work in Mauritius for a continuous period of 3 years. Holders of OP are eligible for a 'Permanent Residence Status' after three years provided they satisfy certain conditions.

Non-citizens who retire in Mauritius (aged 50 or more) are entitled to a Residential Permit' for an initial period of 3 years, provided certain conditions are satisfied.

Private Sector Organisations

Mauritius has a dynamic private sector which plays an active role in the economic development of the country. The main private sector organisations are listed below:

- Mauritius Employers Federation (MEF)
- Joint Economic Council (JEC)
- Mauritius Chamber of Agriculture (MCA)
- Mauritius Chamber of Commerce and Industry (MCCI)
- Mauritius Export Processing Zone Association (MEPZA)
- Many other sectoral associations for each sector of activities such as Hospitality, Construction and Distribution.

Types Of Business Organisations

Business enterprises may be set up in Mauritius in the following forms:

- Sole Proprietorship
- Company
- Partnership
- Commercial Partnership
- Branch of a Foreign Company
- Joint Venture
- Trust

All business enterprises must register with the local Registrar of Businesses and obtain a Business Registration Card prior to starting activities.

Sole Proprietorship

An individual who wishes to set up in business as a sole proprietor is not required to register the business as a legal entity but he must apply and obtain a 'Business Registration Card' prior to start of activities. However, like any business, it is subject to the payment of licence dues annually.

The proprietor is personally responsible with his personal assets for all liabilities arising from his business.

Company

Companies operating in Mauritius are regulated by the Companies Act 2001 which recognises the following types of companies, inter alia:

- Companies limited by shares
- Companies limited by Guarantee not

having a share capital

- Unlimited companies with share capital
- Limited-life Companies

The law also provides for a one-person company.

Shelf companies do not exist, although it is possible now to incorporate companies without going through the services of a Notary Public as it was the case previously. This implies a shorter time lag and reduced incorporation costs.

A company may be a Public company or a Private company. Every company is assumed to be a Public company unless it is stated in its constitution that it is a private company.

Partnership

Partnerships are usually set up by a deed drawn by a notary public and registered with the Registrar General. Partnerships may be either Civil or Commercial partnerships. No separate law exists on partnerships and they are governed by civil and commercial law.

Partnerships are not required to file financial statements with the Registrar although accounts must be submitted to the Mauritius Revenue Authority.

Commercial Partnership (General or Limited)

A limited partnership must have at least one member who has the same status as a general partnership member. Other partners may have their liability limited to the extent of their investment in the partnership.

Branch of a Foreign Company

Foreign companies which establish a place of business in Mauritius and which do not incorporate a local structure are required to register as branch of a Foreign Company. Branches of foreign companies have the same powers and authority as Mauritian companies and they need to file accounts each year on the same basis as local companies

Joint Venture

Joint Ventures are established in certain types of activities and are generally governed by a written joint-venture agreement. Participants in a joint-venture may be individuals or corporate.

Trust

A Trust may be established and registered under the Trust Act 2001. Trusts may be of various types and may be set up by residents and non residents. Typical trusts are charitable, discretionary, purpose and trading trusts.

Legal, Accounting And Auditing Requirements

The Legal Profession

The legal profession in Mauritius is divided into Barristers, Attorneys and Public Notaries and the majority of professionals are trained in France or the United Kingdom. Barristers specialise in advocacy and legal consultancy while Attorneys are mostly involved in the procedural aspects of litigation. Public Notaries deal mainly with title deeds for land, conveyance and succession.

The Accountancy Profession

The accountancy profession has built up important roots in Mauritius over the last generation, making Accountants important players in the corporate world. With a meagre start in the fifties, the Accountancy Profession was dominated by only a few firms for a long time until the early eighties which witnessed an upheaval in the number of Qualified Accountants on the Island.

The profession is among the best organised in Mauritius, as it is in the whole world. Accountants obtain qualifications mainly from the United Kingdom and they work in all the economic sectors of the country. Accountancy and Audit Practices are of world standard due to the presence of almost all international accountancy networks including the 'Big Four' (DTT, E&Y, KPMG, PwC), the second-tier networks and a host of medium and small firms.

The profession is regulated under the Financial Reporting Act 2004 which has set up the Financial Reporting Council (FRC). The FRC's objectives are:

- to promote the provision of high quality reporting of financial and non-financial information by public interest entities.
- to promote the highest standards among licensed auditors
- to enhance the credibility of financial reporting and
- to improve the quality of accountancy and audit services

All professional Accountants are required to register with the Mauritius Institute of Professional Accountants (MIPA). Professionals or firms who wish to set up in practice must be registered as 'Public Accountants' with MIPA. The objects of MIPA are to supervise and regulate the accountancy profession and to promote the highest standards of professional and business conduct of, and enhance the quality of services, offered by professional accountants in Mauritius

Accountants and firms who wish to practice as Auditors must register with the FRC. The operating arms of the FRC are the Audit Practice Review Unit and the Financial Reporting Monitoring Unit. Each unit is supported by a Panel of Experts. Apart from licensing Auditors, the FRC conducts regular Peer Reviews on firm to make sure that they are maintaining the

quality and standard required of them.

Accountants follow the Code of Conduct prescribed by the International Federation of Accountants (IFAC) and the different rules for Quality Control.

Accounts Preparation and the Audit Framework

The requirements for Accounts and Audit of Financial Statements are laid down in the Companies Act 2001 which requires all 'Public Interest Enterprises' (PIE) to have their accounts prepared under International Financial Reporting Standards (IFRS). Auditors are required to conduct audits in accordance with International Auditing & Assurance Standards.

A Public Interest Enterprise (PIE) is defined in law as a public company or a private company having an annual turnover in excess of MUR 200 million. The definition also includes certain 'State-owned enterprises'.

In addition, Mauritius has adopted a National Code on Corporate Governance and PIEs are expected to apply the requirements of the Code in practice.

A Mauritius Institute of Directors (MIoD) has also been put in place for promoting the highest standards of corporate governance, and of business and ethical conduct of directors.

The formation and administration of companies have been substantially revamped under the Companies Act 2001.

All companies are required to hold an Annual Meeting once a year and to file a copy of their Financial Statements with the Registrar of Companies. Accounts of companies are available for public inspection upon payment of a minimum fee.

A small Private company which is defined as a company having an annual turnover below MUR 30 million is exempted from the requirement of filing accounts and is required to file only a certified financial statement. It does not need to have its accounts audited.

Taxation

Introduction

Mauritius is a low tax jurisdiction and it is reputed to have one of the simplest systems of taxation in the world. Government has opted for a standard flat rate of taxation for individuals and corporations in the spirit of creating a level playing field for all economic sectors.

In Mauritius we do not have Capital Gains Tax, Wealth Tax, Estate Duty or Inheritance Tax.

General

Tax Revenue in Mauritius is administered by the Mauritius Revenue Authority (MRA) which operates under the responsibility of the Ministry of Finance & Economic Development. The Tax System is fairly simple with two main forms of taxation in place:

- Direct Taxation or Income Tax
- Indirect Taxation

DIRECT TAXATION

Tax Statute

Income is taxed in Mauritius in accordance with the provisions of the Income Tax Act of 1995 which is amended each year by the Finance Act, following the Budget Speech of The Minister of Finance & Economic Development.

PAYE, CPS and APS

Under the PAY AS YOUR EARN (PAYE) system, tax is withheld from the salaries of employees (subject to personal reliefs and a threshold basis) at source by Employers and remitted to the MRA on a current basis. Individuals who derive income other than from employment have to submit Income Tax returns on a quarterly basis under the Current Payment System (CPS). Companies also have to submit quarterly Tax returns and pay any tax due under the Advanced Payment System (APS).

Tax Deduction at Source (TDS)

Under the system of TDS, the payer is required to deduct tax at the time the payment is made to or credited to the account of the payee. The types of payments which are subject to deduction at source and the percentage of deduction to be made are:

- Interest – 15%
- Royalties – 10%
- Rent -5%
- Payment to architects, engineers, land surveyors, project managers in the construction industry, property valuers and quantity surveyors as consideration for services rendered by them – 3%
- Payment to contractors and sub-contractors -0.75%

Such deductions may be claimed back by the payees at the end of the fiscal year.

Personal Taxation

Mauritius runs a self-assessment system based on the residence concept.

Residents

A person resident in Mauritius is liable to tax on all income derived from Mauritius and on Income received from sources outside Mauritius to the extent that such income is remitted in Mauritius.

Non-residents

A non-resident is taxed on income derived from sources in Mauritius only.

An individual is regarded as resident in Mauritius if he/she is physically present in the country for more than 183 days in a financial year.

Taxable Income

An individual's taxable income is gross income excluding exempt Income, net of deductible expenses, capital allowances, losses and personal reliefs.

Gross personal income consists of: "earned" and "unearned" income.

Earned Income is income earned from employment whether present or past. It includes salaries, wages, bonuses, overtime earnings, commission, fees, pensions and benefits in kind i.e. free accommodation, company cars etc.

Unearned Income includes trade profits, share of partnership profits, rents, interest etc.

Dividends form part of the list of income which is exempt from taxation.

Personal Reliefs & Deductions

Five categories of taxpayers are recognised depending on their number of dependents and each category has a fixed tax threshold. All income in excess of the threshold is subject to taxation. The current applicable thresholds are reproduced in the table (page 28).

Personal Income Tax Rates

There is a single Income Rate which is currently 15% of chargeable income.

CATEGORY OF TAXPAYERS	THRESHOLD (Personal Reliefs)	MONTHLY EMOLUMENTS (Exempt from tax)
CAT A - without dependent	MUR 270,000	MUR 20,769
CAT B - with 1 dependent	MUR 380,000	MUR 29,230
CAT C - with 2 dependents	MUR 440,000	MUR 33,846
CAT D - with 3 dependents	MUR 480,000	MUR 36,923
CAT E - retired without dependent	MUR 320,000	MUR 24,615
CAT F - retired with 1 dependent	MUR 430,000	MUR 33,076

Company Taxation

Scope of Taxation

All companies in Mauritius whether incorporated in Mauritius or abroad, are liable to Income tax on their net profits earned in Mauritius.

A resident company is one which is incorporated under the laws of Mauritius or which has its central management and control in Mauritius.

A resident company is liable to Income Tax on its worldwide income.

A non-resident company is liable to Income Tax only on its income arising or deemed to arise in Mauritius.

Taxable Income

Taxable income is the net income excluding exempt income, arrived at after deducting from gross income all expenses necessarily incurred in the production of the gross income, and capital allowances.

A company's gross income includes

income from the business as well as rents, royalties, interest, etc.

Unauthorized deductions

The following deductions are not allowable:

- (a) any investment, expenditure or loss to the extent to which it is capital or of a capital nature;
- (b) any expenditure or loss to the extent to which it is incurred in the production of income which is exempt income;
- (c) any reserve or provision of any kind;
- (d) any expenditure or loss recoverable under a contract of insurance or of indemnity;
- (e) any expenditure incurred in providing business entertainment or any gift;
- (f) any tax payable under the Land (Duties and Taxes) Act 1984;
- (g) income tax or foreign tax;
- (h) any expenditure or loss to the extent to which it is of a private or domestic nature.

Corporate Tax Rate

Domestic companies are subject to a flat tax rate of 15% of their chargeable income.

A GBC1 company which operates in the local Global Business centre benefits from an automatic tax credit of 80% of that rate and its effective tax rate therefore falls down to 3%.

A withholding tax is applied on outbound payments made by a GBC1 company with respect to interest and royalties. The applicable rates will depend on the provision of Double Taxation Treaties.

Losses

Unrelieved business losses may be carried forward for set-off against future income (other than emoluments). For companies, losses are not available for carry forward when there is more than 50% change in shareholding.

The time limit to carry forward any unrelieved loss, applicable both to individuals and companies, is 5 years. However, the time limit of 5 years does not apply for the carry forward of any amount of loss which is attributable to annual allowance.

Depreciation and Capital allowances

Depreciation and amortisation charges are not allowable for income tax purposes. However deductions are allowable by way of Capital Allowances on Industrial Buildings and Plant & machinery at specific rates.

Advance Ruling Provision

A taxpayer who wishes to obtain certainty

on the treatment of income by the MRA may apply to the latter for an advance ruling which is delivered within 30 days from date of application upon payment of a nominal fee.

INDIRECT TAXATION

The main indirect taxes which exist in Mauritius include:

Customs Excise Duty: varying Customs & Excise duty rates are applicable on the import of goods.

Value Added TAX: VAT of 15% charged on the value of goods and services supplied by a registered taxable person.

Registration Duty: is levied on instruments transferring the ownership of property. The current rate is 5%.

Stamp Duty: is levied on all documents submitted for registration with the Registrar General.

Land Transfer Tax: Payable by the transferor on transfer of ownership of immoveable property. The rate varies between 5% or 10% on the transfer value depending upon whether the owner has owned the property for more than five years or not. The lower rate is applicable if ownership has been for five years or more.

HLB Appavoo & Associates

HLB Appavoo & Associates was founded on 1st January 1989 by L. Clensy APPAVOO who is presently the Senior Partner and the Chief Executive Officer of the firm. Led by a dynamic Management Team the firm has experienced significant development and is now among the leading Accountancy and Auditing practices in Mauritius.

The firm is registered as a 'Public Accounting Practice' with the Mauritius Institute of Professional Accountants and as a 'Registered Firm of Auditors' with the local Financial Reporting Council.

Corporate Philosophy

The Corporate Philosophy of the firm is based on the concept of 'adding value to business' irrespective of size and complexity.

Resources

HLB Appavoo & Associates operates from a freehold 7-storeyed business centre located in the business hub of Port Louis, the capital of Mauritius. It currently employs around 80 staff and makes use of modern I.T technologies in the delivery of its services.

Client base

Our client base comprises medium sized listed and unlisted companies, public sector organisations, professionals and high net worth individuals involved in the following economic activities:

- Agriculture and farming
- Tourism and hospitality
- Retail, wholesale and general commerce including import and export
- Construction industry
- ICT industry
- Manufacturing including textile, food and decorative articles
- State-owned enterprises, NGOs, professionals

Services

HLB Appavoo & Associates offers the following specialist services to clients based in Mauritius, in the Indian Ocean region and internationally:

- Accountancy services and accounts preparation in accordance with IFRS
- Statutory Audit services
- Internal audit services
- Private and contractual audit
- Fraud investigation and forensic accounting
- Operational Audit with advice on cost reduction
- Advisory services

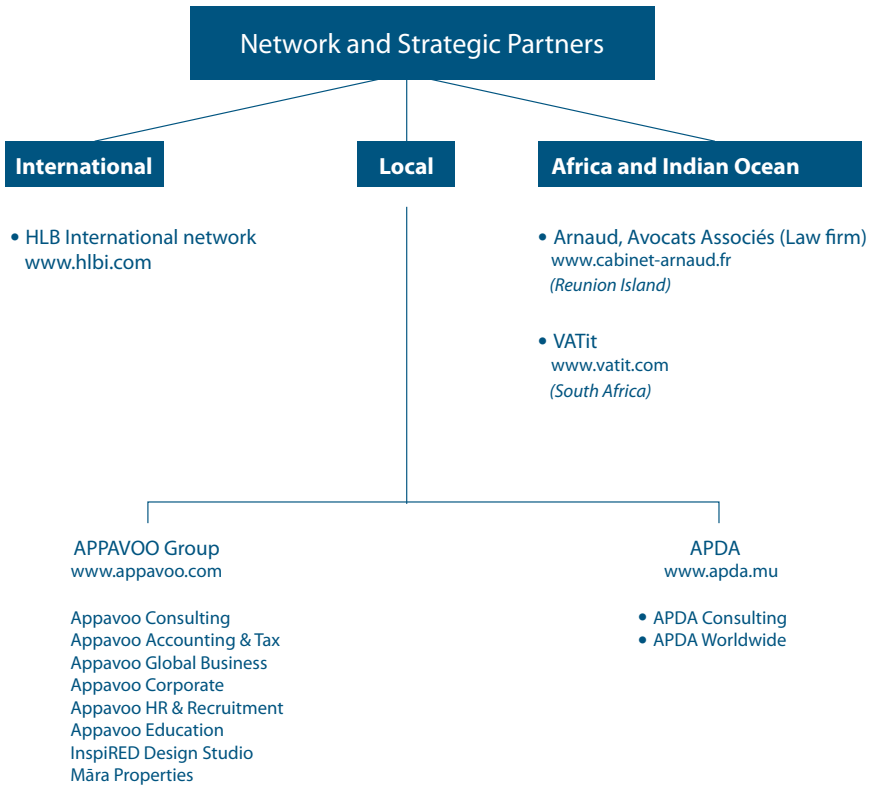
Networking and Strategic Partners

Apart from being a member firm of HLB International, HLB Appavoo & Associates has developed a powerful network of strategic partners who offer specialist services in different advisory capacities which include international tax consultancy, corporate finance, education and training, Business Process

Outsourcing (BPO), and business management consultancy.

In Mauritius the firm works closely with Appavoo Group, a business service Group specialised in Finance, Management and Development.

The service chart enclosed on the next page shows the network of HLB Appavoo & Associates and services provided.



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