

The Mauritius Global Business Sector



Mauritius is a sophisticated and dynamic jurisdiction which has over time built a strong reputation as a reliable and trusted International Financial Services Centre. Major international financial institutions have used the Mauritian platform for investment structuring and capital raising purposes. Doing business in Mauritius is both efficient and easy and complies with best practices in terms of transparency, good governance and ethics.

Companies and partnerships incorporated or registered in Mauritius that are majority owned by non-residents and conduct business primarily outside of Mauritius are required to apply for and obtain an authorisation or a Global Business Licence (GBL) from the Financial Services Commission ('FSC'). The application shall be made via a licensed Management Company such as Imara Trust Company (Mauritius) Limited. The company holding an 'authorisation' is referred to as the Authorised Company ('AC') and the one holding a Global Business License is commonly referred to as the Global Business Company ('GBC').

The choice between the two types of companies will depend on a number of factors including the proposed activities and the geographical area of operation.

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TYPES OF COMPANIES

Authorised Company ('AC')

The AC is commonly used for private investment holding, non-financial consultancy and international trading activities. It cannot engage in Financial Services activities. An Authorised Company is not considered as tax resident in Mauritius and as such, its income is not subject to tax in Mauritius except for Mauritius source income. Since the AC is not tax resident in Mauritius, it cannot benefit from the network of Double Taxation Agreements ('DTAs').

As per the enabling legislation, the AC shall be controlled and managed from outside of Mauritius. It is suggested that an assessment be made on any tax implication for the company in the country where the management and control is deemed to be. Such location will have to be submitted to the Mauritius Revenue Authority when submitting the annual tax return.

The AC shall have, at all times, a registered agent in Mauritius, such as Imara Trust, which shall be a Management Company.

Global Business Company ('GBC')

The GBC is mainly used for Financial Services business (subject to additional licenses), international trading and for investment holding activities especially when income from overseas is principally in the form of dividends, interest, and capital gains.

A GBC is tax resident in Mauritius and may apply for a Tax Residence Certificate (TRC) from the Director General of the MRA should this be required by the tax authorities in the jurisdiction in which the company is conducting its business.

Investors may benefit from an extensive network of double taxation treaties (DTAs). GBCS wishing to benefit from a DTA must obtain a TRC issued by the MRA. The TRC is generally issued within a period of seven days from the date of application, provided that the person has submitted the return required under the ITA 1995.

The GBC may also conduct business in Mauritius provided that the majority of its transactions is done outside of Mauritius.

The GBC also offers investors the following benefits:

- Favourable tax rate
- Generous tax exemptions
- No withholding tax on dividends, interest and royalties paid
- No capital gains tax
- Free repatriation of profits, capital and interest
- Protection of assets

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Substance Requirement of GBCs

It is very important to note that the GBC is required to establish substance in Mauritius. Therefore, as per the Financial Services Act, the GBC should, at all times, satisfy the following conditions:

- The core income generating activities ("CIGA")¹ of the GBC should be in or from Mauritius, as required under the Income Tax Act;
- The GBC should be managed and controlled from Mauritius;
- Be administered by a Management Company (Imara Trust is a licensed Management Company for these purposes).

In order for the GBC to be managed and controlled from Mauritius, it should meet the following conditions:

- Maintains, at all times, its principal bank account in Mauritius;
- Keeps and maintains, at all times, its accounting records, at its registered office in Mauritius (Imara Trust will provide);
- Prepares its statutory financial statements (Imara Trust will prepare) and causes such financial statements to be audited in Mauritius; and
- Provides for meetings of directors to include at least 2 directors from Mauritius. In order for the GBC to be managed and controlled from Mauritius, it should meet the following conditions:

TAXATION FEATURES

Mauritius offers an attractive tax regime for companies looking to do business in Africa and Asia. The country's favorable tax rates, partial exemptions, and double tax treaties make it an ideal destination for foreign investors.

In Mauritius, the headline tax rate for most tax resident companies is 15%. However, companies engaged in the export of goods are taxed at a lower rate of 3%. Certain types of income or activities may qualify for a partial exemption of 80%, subject to meeting the economic substance requirements. The partial exemption can effectively bring the tax rate down to 3%. The following types of income or activities are eligible for the partial exemption of 80%:

- Foreign source dividend derived by a company provided that it has not been allowed as a deduction in the country of source;
- interest derived by a company;
- income derived by a collective investment scheme ("CIS"); closed end fund, CIS Manager, CIS administrator; investment adviser, investment dealer or asset manager;
- income derived by companies engaged in leasing of ships, aircrafts, locomotives and trains including rails leasing;
- income derived by a company from reinsurance and reinsurance brokering activities;
- income derived by a company from leasing or provision of international fibre capacity;
- income derived by a company from the sale, financing arrangement, asset management of aircraft and its spare parts and aviation advisory services related thereto;
- interest derived by a person from money lent through Peer-to-Peer Lending platform;
- profit attributable to a permanent establishment which a resident company has in a foreign country.

PARTIAL EXEMPTION MECHANISM

DIVIDEND INCOME

Foreign-source dividend income may be eligible for partial exemption under simplified conditions. To qualify for an 80% exemption on such income, companies must meet the following requirements:

- **Compliance with Filing Obligations:** The company must comply with all its filing obligations under the Companies Act or the Financial Services Act. This requirement ensures that the company is meeting its legal obligations and is operating transparently.
- **Adequate Resources for Share Participations:** The company must have adequate resources available for holding and managing share participations. This requirement ensures that the company has the necessary financial resources and expertise to manage its investments effectively. This requirement can be met at the board of director level.

OTHER INCOME

To qualify for partial exemption on specified categories of income other than dividend in Mauritius, a company must satisfy the following three key conditions:

- i The company must carry out its core income generating activities (CIGA) in Mauritius.**
CIGA refers to essential activities that are central to a company's main operations, generate its income, are strategic in nature, and focus on improving customer value as the profit-center of the business. The Income Tax (Amendment No.2) Regulations 2019 establish the eligibility requirements that GBCs must meet in order to take advantage of the Partial Exemption Regime.
- ii The company must employ an adequate number of suitably qualified persons to conduct its CIGA, either directly or indirectly.**
The company must have enough qualified staff to carry out their core business activities, and these employees should have the necessary knowledge and skills for their roles. The number of staff must be appropriate for the company's level of activities.

Outsourcing of core income generating activities is allowed but should be done within Mauritius. A service provider in Mauritius may be hired for core income generating activities to benefit from partial exemption.

Imara Trust Company (Mauritius) Limited, as a service provider can provide assistance with outsourcing core income generating activities within Mauritius, ensuring that there is adequate supervision of the outsourced activities and no double or multiple counting if the services are provided to multiple companies. This can help companies benefit from the partial exemption on income.

- iii The company must incur a minimum expenditure proportionate to its level of activities.**
Expenses related to carrying out the CIGA must be reasonable and appropriate based on the nature and level of activities. The company must maintain and retain records to show that adequate resources were utilized and expenses were incurred.

The requirement that the core income-generating activities be carried out in or from Mauritius only applies to a holder of a Global Business License if the holder claims or intends to claim for partial exemption.

Companies that have claimed the 80% partial exemption are not allowed to claim actual foreign tax credit on their foreign-source income.

REGULATORY COMPLIANCE FOR COMPANIES LICENSED BY THE FSC

The Financial Services Commission of Mauritius places a lot of emphasis on the responsibilities of Board of Directors of its licensees as regards to Regulatory Compliance. Regulatory Compliance can be broadly defined as the adherence to laws, regulations, and guidelines created by the government legislation and the Regulatory Bodies which are applicable to the company based in the industry and jurisdiction in which it operates.

Some of the important considerations for the Board are as follows:

Licensing Conditions

- A company shall, at all times, comply with its Licensing Conditions failing with it may be liable to administrative sanctions by the FSC.
- The approval of the FSC will have to be sought for any changes/extension in the licensed activity of the company.
- The FSC shall be promptly informed of any changes in director or shareholding, and as per the Companies Act 2001 all statutory filings effected with the Registrar of Companies within 28 days of the change. In the case of a GBC holding a Special Licence, the approval of the FSC shall be sought before any change can occur in terms of shareholding, directors, officers and other functionaries.

Beneficial Ownership

- Every company must enter, in alphabetical order, the names of the Beneficial Owners or Ultimate Beneficial Owners in its share register. The Corporate and Business Registration Department ("CBRD") should be informed of any new issue of shares where a beneficial owner is involved.
- For the above purpose, 'Beneficial Owner' or 'Ultimate Beneficial Owner' means a natural person who holds by himself or his nominee a share or interest which entitles him/her to exercise not less than 20% of the aggregate voting power in a meeting of shareholders or who exercises overall control over the company.

Record Keeping

As per the Financial Intelligence and Anti-Money Laundering Act 2001 ("FIAMLA") and the FIAMLA Regulations 2018, the Company is required to maintain on file:

- i records of all business and financial transactions it undertakes;
- ii supporting documents of all financial transactions in and out of the company's accounts;
- iii adequate Customer Due-Diligence ("CDD") documents relating to all Principals of the company (i.e. shareholders, directors, Ultimate Beneficial Owners) and, when deemed necessary, the CDD of the business partners.

Annual Filing

- A company has a legal obligation to file its accounts annually with the Financial Services Commission, within 6 months of its balance sheet date. For GBCs, it shall be the audited financial statements and for ACs, it shall be a financial summary.
- A company holding a Special Licence has a legal obligation to file its accounts annually with the FSC within 90 days / 3 months (depending on its activity) of its balance sheet date, in line with Section 20 of the Securities Act 2005 or Section 51 Insurance Act 2005 and/or under any other laws which may be applicable.
- The FSC will impose an Administrative Penalty of USD 10.00 per business day for late filing of the Financial Statements. Such Administrative Penalty shall be capped at USD 5,000.00 as per FSC Rules made by the Financial Services Commission under Section 93 of the Financial Services Act 2007.
- The accounts must be prepared in accordance with IFRS.
- Tax returns must also be filed with the Mauritius Revenue Authority within 6 months of the balance sheet date.

Ongoing Due-Diligence

- In accordance with Regulation 3(1)(e) (ii) of the FIAMLA Regulations 2018, Imara Trust Company (Mauritius) Limited is required to conduct on-going due-diligence of the company to ensure that we are aware of any changes in the development of the business relationship. A risk-based approach is implemented depending on the risk-profile of the company under administration.
- Companies classified as 'High-Risk' as per the guiding principles of the FSC, may be subject to higher annual and compliance fees.

Licence Fees

Irrespective of the month of incorporation and first licensing of the company, the FSC Licence or Authorisation is valid up to 30th June and the licence fee is payable on a pro rata basis up to the said date. Thereafter, the Licence(s) or Authorisation has to be renewed and paid in full, for the period 1st July to 30th June of the following year. It is important to note that any annual fee paid within:

- a one month after the due date, shall be subject to an additional charge of 25% of the corresponding annual fee;
- b two months or more after the due date, shall be, in addition to the charge specified in paragraph (a), subject to an additional charge of 15% of the corresponding annual fee for each additional month.

The Commission shall not be bound to accept late payment of annual fees where such payment is effected after the time specified in paragraph (a) above.



INDICATIVE TIMEFRAME FOR INCORPORATION AND LICENSING

- In order to ensure a smooth and timely incorporation process, ALL information requested in the Company Formation Questionnaire have to be answered. Additionally, verification documents for all individuals and/or companies in the structure all the way up to the Ultimate Beneficial Owners have to be provided.
- Scanned copies of the various documents are acceptable. However, hard copies of the application forms, statutory forms and certified documents should follow by courier within 10 days.
- The Clients do not have to be physically present in Mauritius for the setting up of the company and for the opening of the bank account(s).

DAY 1
STEP
1

Receipt of completed and signed application questionnaires and certified true copies of verification documents*

DAY 1
STEP
2

Compliance verifications and client acceptance procedures are undertaken. Upon approval of the Compliance Unit, the proposed company name is sent to the Registrar of Companies ("RoC") for reservation.

DAY 2-3
STEP
3

Company formation and Annual Domiciliation invoice is issued for settlement.

DAY 4
STEP
4

Upon receipt of the Notice of Name Reservation from the RoC and settlement of our fees in full, Statutory Consent Forms. i.e. the Consent of Director and Consent of Shareholder, will be sent for signature respectively by the non-Resident Director(s) and the Shareholder(s).

DAY 5-6
STEP
5

On-line submission of application and statutory forms to the RoC .

DAY 7
STEP
6

As soon as the RoC incorporates the company, the application for licensing together with the Certificate of Incorporation are submitted to the Financial Services Commission (FSC) through its online application portal.

DAY 7
STEP
7

Licence issued the FSC upon the Company meeting all criteria as per The Financial Services (Miscellaneous Provisions) Act 2020
Global Business Company (Non-Financial Services Business): 7 to 10 days
Authorised Company: 5 to 7 days

NOTE:

- This timeline is indicative. It has been prepared based on the assumption that procedures will be running smoothly. Imara Trust cannot be held responsible for delays by the local Authorities.
- Following the licensing of the Company, the first Board Meeting will be held. Immediately thereafter, the application for bank account will be sent. The bank account is generally opened within 4 days.

Imara Trust Company (Mauritius) Limited

9th Floor, NeXsky Building, Cybercity 72201, Ebene, Mauritius

+230 466 9171 services@imara.mu BRN: C08080589 www.imara.mu

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