

# Mauritius as a base for Regional Headquarters Companies

# Scope of the presentation

- **Regional business schemes**
  - Regional Headquarters Scheme
  - Regional Development Scheme
- **Business opportunities in the Region**
- **Other headquarters services**
- **Tax incentives**
- **Other advantages of using Mauritius**
- **Comparative analysis**

# Mauritius

- 1.2 m people; 1,800 sq.km.
- 67% from India, 3% from China, 30% from Europe / Africa
- Political stability, liberal economic policies
- GDP per capita : USD 3,800
- Growth rate (over last 5y) : 5% - 7%
- Main industries – Sugar, Textile, Tourism, Financial services (14% of GDP)
- No exchange control, free repatriation of profits
- Excellent quality of life

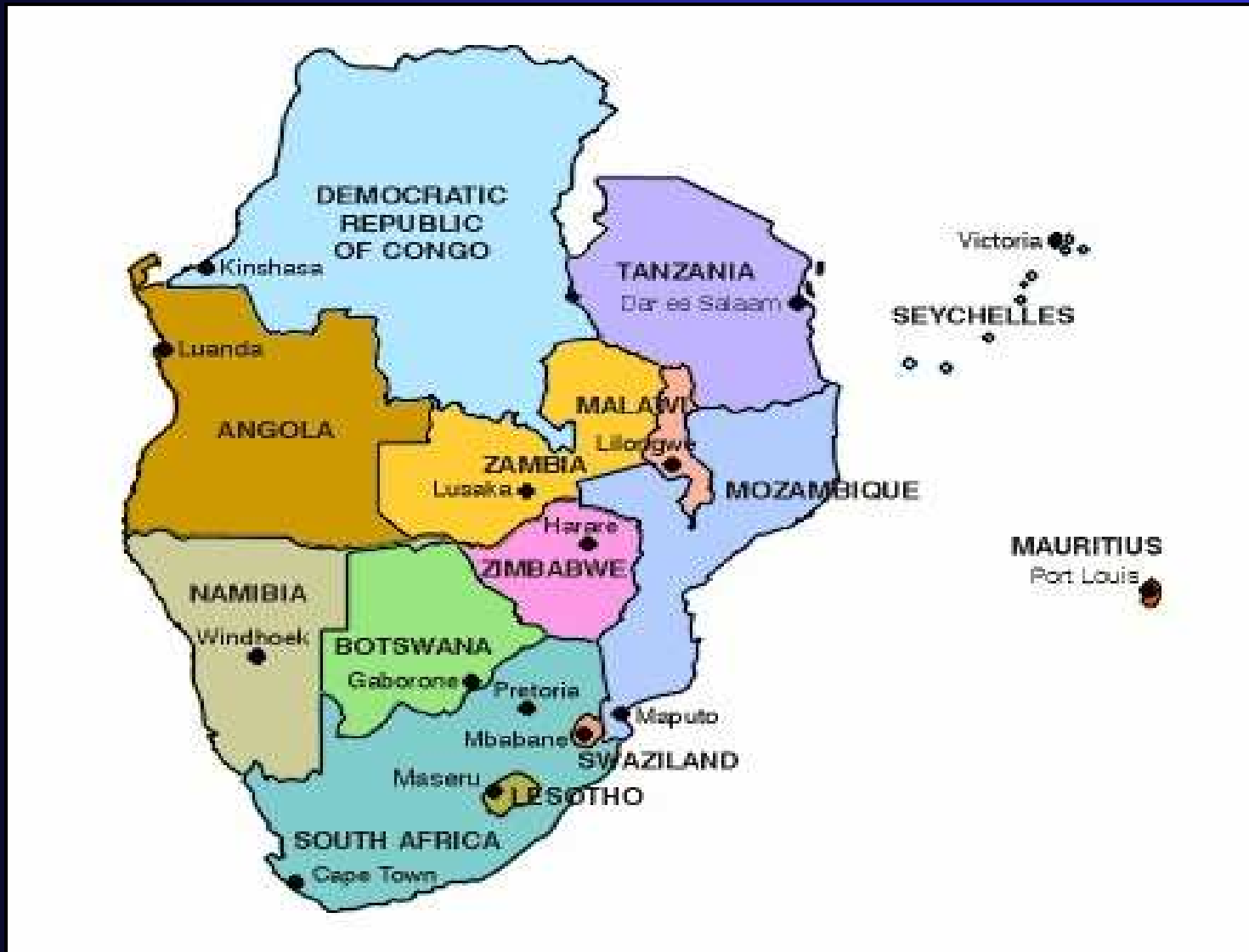
# Headquarters : from cost centres to profit centres

- **Multinationals already using Mauritius**
- **Moving from a cost centre RHQ to a profit centre RHQ**
- **RHQ status – discretionary scheme; very generous tax incentives; limited to the Region**
- **Non-RHQ – no geographical limitations; advantages of our global business sector**

# Definitions

- **Regional Headquarters Scheme** – “a scheme for the provision of headquarters services... by a company to a related corporation located in any member country of a regional organisation of which Mauritius is also a member.”
- **Regional Development Scheme** – “... a scheme for investment in an agricultural, industrial or service project” in any member country of a “regional organisation of which Mauritius is also a member.”
- **Regional organisations of which Mauritius is a member** – SADC, COMESA, IOR-ARC

# SADC Southern African Development Community



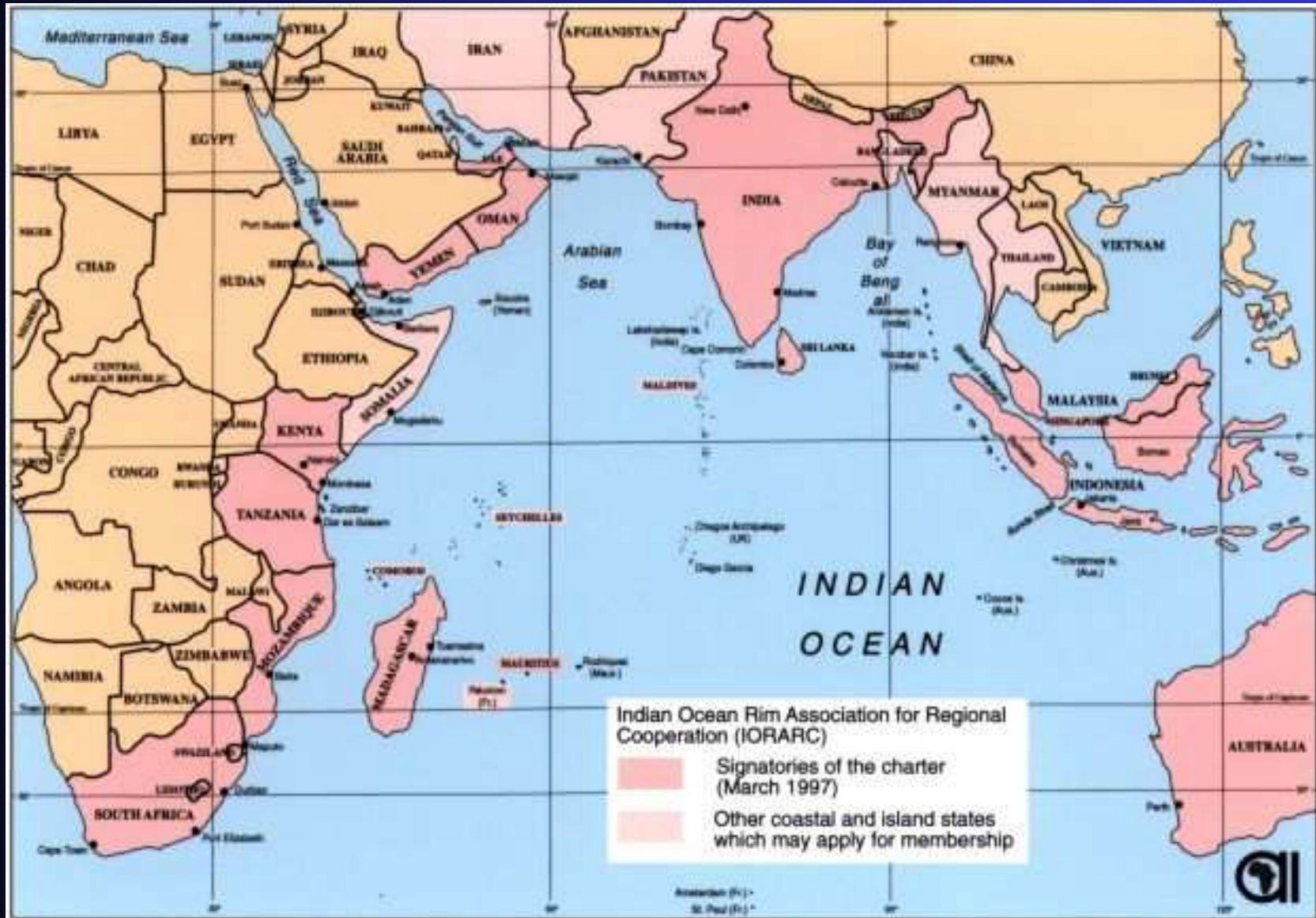
# COMESA

Common Market for Eastern and Southern Africa



# IOR-ARC

Indian Ocean Rim Association for Regional Co-operation





# Business opportunities in the Region

- Textile, IT, Infrastructure, Telecommunications, Health, Tourism, Agriculture
- Mauritius, the gateway to Africa
- High tax rates in the African Region
- RHQ scheme – tax driven

# Trading in the Region

- **Vast market**
- **Untapped resources**
- **Ultimate goal: free trade area**
- **Preferential access within the Region**
- **Access to sophisticated markets**
  - **Africa Growth and Opportunity Act**
  - **Bilateral agreements**

# The RHQ Scheme

- **Not prescribed but negotiated on a case-by-case basis**
- **Available to Mauritius registered companies only, not to branches of foreign companies**
- **Beneficiaries of headquarters services under the scheme must be located in the Region**
- **Trade benefits of regional organisations**

# Tax incentives - RHQ

Foreign-source income	0% for 10y; then 15%
W/h tax on dividends	Nil
W/h tax on interests	Nil
Capital gains tax	Nil
Double Taxation Treaties	✓
Duty-free import for expat's	Furniture, equipment, personal belongings, 2 cars (in total)

# Qualifying for RHQ status

- A discretionary scheme
- Incorporated in Mauritius
- Minimum capital MRs 1 m (USD 35k)
- No prescribed rules on
  - assets
  - number of related corporations benefiting from services
  - number of employees
- “... provide at least two prescribed services as its main activity to a related corporation in the region ...”
- Not a passive holding company

# RHQ - prescribed services

- **Main activity**
- **Prescribed services:**
  - **Administration and general management**
  - **Business planning and coordination**
  - **Procurement of raw materials and components**
  - **Corporate finance advisory services**
  - **Marketing control and sales promotion planning**
  - **Regional training and personnel management**

## **RHQ - prescribed services (contd.)**

- Treasury and fund management**
- Logistical services**
- Research and development services**
- Regional technical support and maintenance**
- Data processing and communication hub**
- Business development**
- Any other related activities of economic benefit to Mauritius**

# Regional Development Scheme

- Promotion of cross-border projects in the Region
- Incorporated in Mauritius: min. capital MRs 2 m (USD 70k)
- At least 35% participation in a project company
  - registered in the Region
  - carrying on an approved regional development project
- Obligation: repatriate dividends paid by project company
- Tax incentives
  - 15% tax
  - no Mauritius tax on dividend income
  - investment (deemed capital expenditure) deductible by way of an annual allowance at a negotiated rate
  - 25% of investment deductible by way of an investment allowance in income year in which it is made



# Beneficiaries outside the Region

- **The service provider: a company holding a Category 1 Global Business Licence**
- **Taxed at 15%; but deemed foreign tax credit 90% with an effective rate of 1.5%**
- **Tax credit 80% as from 01 July 2002: an effective rate of 3%**
- **A branch of a foreign company also qualifies**
- **Availability of DTT's if centrally managed and controlled in Mauritius**

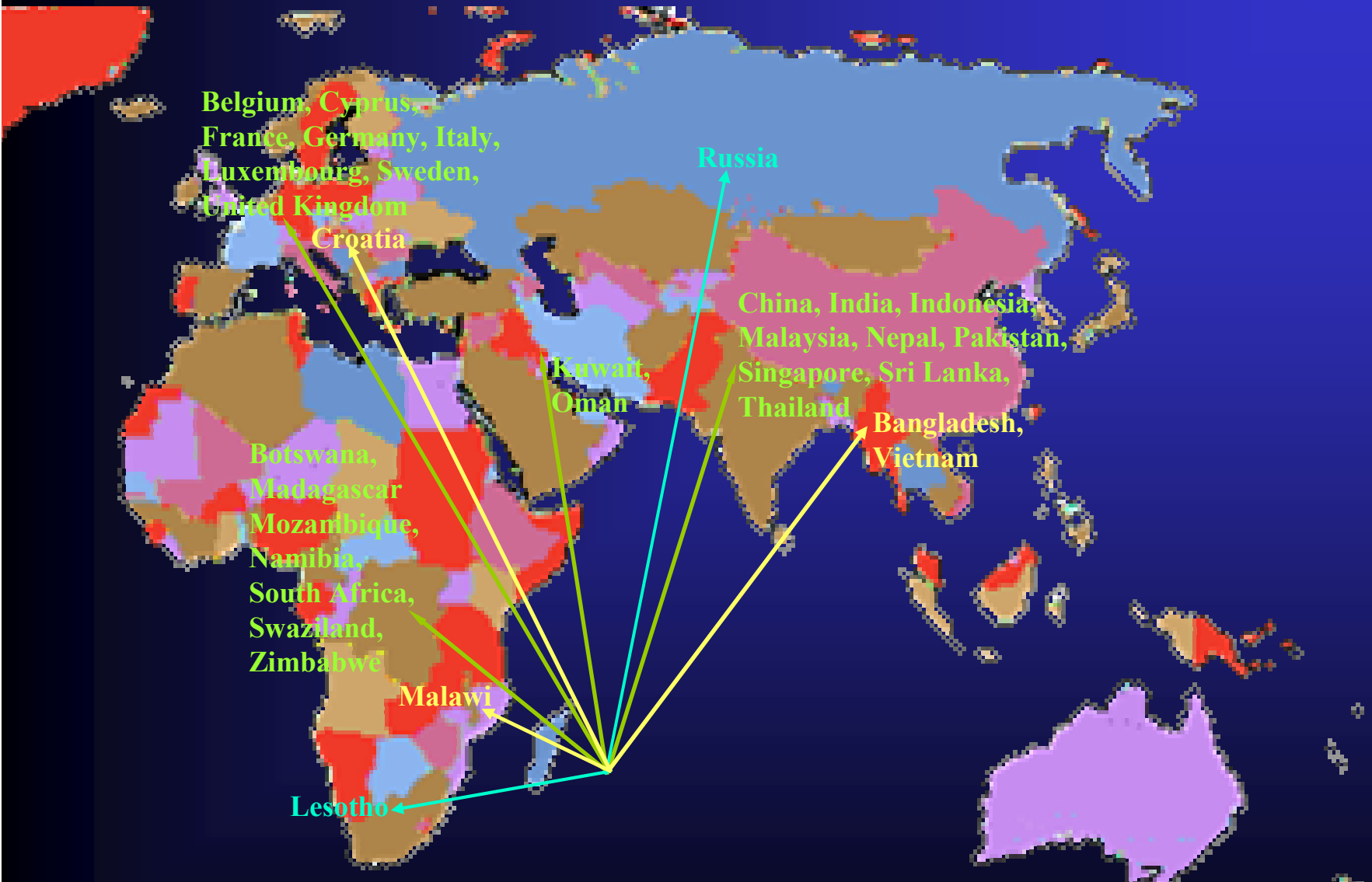
# Tax incentives – RHQ v. Non-RHQ

	RHQ	Non-RHQ
Foreign-source income	0% for 10y; then 15%	1.5% now; 3% 01 July '02
W/h tax on dividends	Nil	Nil
W/h tax on interests	Nil	Nil
Capital gains tax	Nil	Nil
Registration and other duties	Normal	Exempt (for Global Business)
Double Taxation Treaties	✓	✓
Duty-free import for expat's	Furniture, equipment, personal belongings, 2 cars (in total)	Slightly less advantageous

# Double Taxation Treaties

- Network within and outside the Region
- DTT's: Mauritius, a financial centre
- RHQ and non-RHQ companies qualify
  - RHQ company, a domestic company
  - Non-RHQ company, Category 1 Global Business Company
- Availability of Tax Residence Certificate

# Tax treaty network



- TAX TREATY IN FORCE
- *Dec '01* TREATY AWAITING RATIFICATION *20*
- TREATY AWAITING SIGNATURE

*Association of Offshore Management Companies  
Mauritius*

# Selected DTT's

Treaty country	Maximum tax rate %			Royalties (c)	Capital gains	Income from HQ services (e)
	Dividends (a)	Interests (b)				
		Bank	Other			
<b>REGION</b>						
Madagascar	10 (i)	10	10	5	(j,k,l)	Tax in MRU only
Mozambique	8 (g,o)	Exempt	8	5	(j,k)	Tax in MRU only
Thailand	10	10	15	15 (n)	(j,k)	Tax in MRU only
<b>NON-REGION</b>						
China	5	Exempt (m)	10	10	(j,k,l)	Tax in MRU only
France	5 (f)	Exempt	(h)	15	(j,k,l)	Tax in MRU only
Italy	5 (g)	Exempt	(h)	15	(j,k)	Tax in MRU only

# One-stop-shop

- **Board of Investment**
  - RHQ and RDC
- **Financial Services Commission**
  - Non-RHQ
- **Applications processed on a case-by-case basis**
- **Letters of intent**

# Expatriate staff

- **No limitation on the number of expatriate staff**
- **Residence and work permits**
- **Short visits**
- **Tax incentives to expatriate staff**
  - **Concessionary personal income tax**
  - **Duty-free import of personal belongings and cars**

# Why Mauritius ?

- Low operating costs
- Tax and DTT network
- Light regulatory framework
- Political stability
- Proximity to Africa
- Other 'soft' advantages



# HQ's : comparative analysis

	Mauritius	H. Kong	Singapore
Regulatory framework	Light	High	High
Tax on foreign-source income	0% for 10y Discretionary	0%, but mangnt. fees for services within HK = 16%	0-10% depending on type of HQ
DTT network	Good	Poor	Good
WHT - dividends	Nil	Nil	Nil
WHT - interests	Nil	Nil	15%
Capital Gains Tax	Nil	Nil	Nil
Operating costs	Low	High	High

# 'Soft' advantages of Mauritius

- Location
- Manpower
- Business environment
- Reputation
- Infrastructure
- Transport
- Costs
- Quality of life
- Educational facilities
- Health

# The scheme at work

<u>Company in Madagascar</u>			<u>Holding Company</u>			
	Actual	With DTT	Gain		Country C	RHQ in MRU
W/h tax on dividends	25%	→ 10%	15%	Dividend received	X – TC %	→ Nil
W/h tax on interests	25%	→ 10%	15%	Interest received	X – TC %	→ Nil
W/h tax on HQ services	15%	→ 0%	15%	HQ services received	X – TC %	→ Nil

**X: Local Corporate Tax Rate**

**TC: Credit for Foreign Tax Paid**

# Conclusion

- **Light regulatory framework**
- **Generous tax incentives**
- **Availability of DTT's**
- **Business opportunities in the Region**
- **'Soft' advantages**
- **Relaxation of exchange control laws in India**