

# Luxembourg and Mauritius in 2023 – Competitors or brothers in arms

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**What would you say if Thales Capital proposes you to serve your interests in Mauritius? Would this be a scam? Not at all. Professionals in financial sector know that Mauritius is a destination where your company can be very properly served.**

Apart from being an internationally renowned tourist destination, Mauritius has built a solid reputation as a reliable and secure financial centre. Indeed, there are so many good reasons to settle or invest there.

Several factors make Mauritius a business hub for the region and an essential platform for international trade. The Mauritian government has put in place a favorable ecosystem and incentives to encourage foreign direct investment as well as institutional investors (tax advantages, political system, double law system, etc.).

The main news from what we as financial professionals are concerned, is that the Financial Action task Force (FATF) has confirmed Mauritius' removal from its list of jurisdictions under increased monitoring due to strategic AML/CFT deficiencies. This is a tremendous milestone achieved by the country.

Due to its strategic location between Africa and Asia, the country is an increasingly attractive destination for foreign investors and is the perfect platform for investing in these two regions. Luxembourg based companies and funds are using the economic bridge the country offers for the last 30 years.

In addition to its diversified economy, the Mauritius International Financial Center also consists of other elements such as:

- its robust and hybrid legal system (common law and civil law),
- its international arbitration center, and
- its bilateral and multilateral relations with many countries;
- double taxation agreements (DTAA), namely with Luxembourg as amended in 2014,
- Investment Promotion and Protection Agreements (IPPA),
- and being a member of the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the Afri-

can Growth and Opportunity Act (AGO), the Indian-Ocean Rim Association (IORA), and the Indian Ocean Commission (IOC).

The Bank of Mauritius and the Financial Services Commission are bodies applied to the supervision of the banking sector and non-banking financial services. Anti-money laundering and counter-terrorist financing (AML/CFT) laws are strict. Mauritius fully supports international initiatives such as the Financial Action Task Force (FATF-FATF) and the OECD – which classifies Mauritius as 'Globally Compliant', and is a member of the Anti-Money Laundering Task Force of Eastern and Southern African Silver (ESAAMLG).

**Mauritius: regional service hub and considered as Luxembourg of its region**

The banking system has been strengthened over the years and today includes around twenty banks, both local and international. Insurance activities as well as the wealth management market are developing rapidly. The Stock Exchange of Mauritius is an attractive capital raising and IPO platform for local and international issuers. It is also one of the few exchanges in Africa to offer a multi-currency listing, and to be open to trading in dual currencies.

Mauritius has also made significant advances in the information and communication technology (ICT) and Business Process Outsourcing sector. Moreover, the economic activity of the country extends to several other poles such as the construction (in particular of luxury residences intended for an international clientele), free port activities, medical tourism and education with the presence of private international schools and universities (French and English speaking).

Stable political, economical and social environment, the island is an example of social peace and unity in a multicultural landscape. Does that remind you of anyone, all things considered? The Grand Duchy obviously, but its splendor is not yet threatened. The student has not surpassed the master yet.

**Why choose Mauritius for business creation?**

Business creation in Mauritius is the preferred platform for entrepreneurs and multinationals for the following reasons:

- Foreign investment promotion and protection agreements;
- A favorable investment and business environment
- A solid regulatory framework ensuring good governance;
- A hybrid legal system, combining the advantages of English common law and the French civil code;

- A qualified, experienced and bilingual workforce (French and English);
- A wide range of banking services and presences of international banks;
- A time zone and a strategic location that allows international transactions (GMT+4);
- Among the most regulated countries to open an offshore bank account;
- Competitive business start-up and office rental costs;
- Political and social stability;
- Member of various international organizations, including SADC, COMESA, the African Union and the African Continental Free Trade Area;
- Modern island with state-of-the-art technology and equipment;
- A benchmark platform for listing and raising capital (Mauritius Stock Exchange);
- No restriction on trade;
- No capital gains tax;
- Income tax for natural and legal persons, as well as value added tax, set at 15%;
- Free repatriation of dividends, capital and profits;
- No tax on dividends;
- No inheritance tax;
- Double taxation treaties signed with several countries in Africa, Europe and Asia.

**Business creation in Mauritius: how to proceed?**

Setting up a business in Mauritius takes an average of 3 working days, depending on the type of company. No minimum investment is required and Mauritian law allows 100% foreign ownership. However, before setting up a resident company in Mauritius, you must first determine the type of company appropriate for your professional activities. The types of companies are:

**Regional head office**

The Global Headquarters Administration license has proven to be crucial in enabling several multinational companies to strategically optimize their business by establishing their regional headquarters in Mauritius.

**Offshore company "Global Business Company"**

A Global Business Company is an offshore company whose main business operations are carried out mainly from Mauritius, and which benefits from double taxation treaties. It is an ideal business structure for international tax planning.

**Offshore company "Authorized Company" in Mauritius**

An Authorized Company is another type of offshore company that conducts its business activities, control, and management outside of Mauritius. It is considered foreign for tax purposes.

**Investment Funds**

Fund structures in Mauritius allow investors and fund managers to channel their investments to Africa and Asia, among others.

What links Luxembourg and Mauritius even more, is the investment fund structuring. The famous Master-Feeder structures are not to be presented anymore, it is a fact. How does it concretely work and what are the types of funds we can find in Mauritius?

**Investment funds in Mauritius**

Mauritius is the base to some of the most influential and important funds in the world. With more than a thousand funds, collective assets under management of more than 80 billion US dollars, Mauritius is considered as a reference in the management of funds. Funds are structured like investment companies and can be either open-ended, falling within the category of Collective Investment Schemes, or closed-ended, commonly referred to as Private Equity funds. Sub-Funds domiciled in Mauritius are eligible for all the advantages enjoyed by Global Business Companies. Global funds domiciled in Mauritius can also take advantage of the flexible listing rules of the Mauritius Stock Exchange (SEM) to list on one of the leading platforms in Africa.

The different investment funds in Mauritius:

- Collective Investment Scheme (CIS / Offshore Fund / Global Fund) is defined in the Securities Act 2005 as a scheme set up in the form of a company, trust or other prescribed legal entity or approved by the Financial Services Commission (FSC) of Mauritius whose sole purpose is the collective investment of funds in a portfolio of securities or other financial, real estate or non-financial assets. Their operation is based on the principle of risk diversification;
- Global CIS: a fully regulated CIS, whose funds are primarily intended for the public;
- Professional CIS: those are schemes that only offer their shares to well-informed investors or in the context of private placements. Sophisticated investors include governments or public bodies, banks, among others;
- Specialized CIS: a specialized CIS is made up of funds that are invested in specific activities: real estate, derivatives, commodities for example;
- Expert Funds: its funds are only accessible to Expert Investors. An Expert Investor is an investor who makes an initial investment for his own account of at least 100,000 US dollars. Most of the requirements and restrictions governing global funds do not apply to Expert Funds.

After having said all that, wouldn't you consider Mauritius as the African Luxembourg so far and see the complementarity of those two financial centres? Answer is obvious.