

Kamal Hawabhay (President of the Association of Trust and Management Companies)

“Faltering euro zone market and Africa more attractive”

As our global business centre is drawing more and more attention, its success hinges on the economic health of Asia and Africa, according to Kamal Hawabhay, Managing Director of Global Wealth Management Solutions and President of the Association of Trust and Management Companies.

Zahirah Atchia

BUSINESSMAG. What is your assessment of the performance of the financial sector during the first quarter of 2013?

Data of global business entities are not open to inspection to the general public due to the legitimate confidentiality provisions embodied in our laws. Nevertheless, in terms of the basic statistics released officially by the Financial Services Commission, there is an overall decrease of 18% in number of new Category 1 Global Business entities (GBC1) licensed in the 1st quarter of 2013 as compared to 2012. The trend is however reversed for Category 2 Global Business companies (GBC2) with a 16% increase in new GBC2s for the same period.

While in absolute terms, new GBC1s are indeed on the decrease from a year-on-year standpoint, the fact remains that new GBC1s are still getting licensed in Mauritius and this is a positive point for Mauritius. The marginally lower numbers of GBC1s during the first quarter may be attributed to the persistent recessionary global outlook, investors' wait and see stance in view of the Joint Working Group (JWG) meeting on the Mauritius India DTA held in New Delhi in the first week of April 2013, uncertainties relating to the application of the proposed Indian General Anti-Avoidance Rules in 2016 and the guarded growth of the Africa

business, due to the inherent risks in Africa.

Mauritius authorities and operators in the Global Business sector have, since several years now, been steadily diversifying away business to reduce our

reliance on India business. This policy is increasingly bearing fruits. The percentage of investments by GBC1s in Africa was 67% as compared to only 19% in Asia in March 2013.

Furthermore, as opposed to other jurisdictions, Mauritius has always adopted a policy of quality over quantity with regard to the type and nature of applicants for business, business and business plans of the applicants

for FSC licences, in view of protecting the reputation and integrity of our jurisdiction.

With regard to the India issues, the overall assessment of the recent JWG meeting with India, as conveyed to the pri-

vate sector, is that reassuring progress has been made. Private sector has been informed that proposals of mutual interest to both parties were discussed and that India has constructively queried same and will revert in due course.

We also learnt that the general tone of the discussions was cordial and friendly and that India has considered rather favourably the corporate govern-

BUSINESSMAG. How will the global business sector evolve for the rest of the year 2013 if the current status quo prevails?

The global business sector in Mauritius is a microcosm of the globalised economy. It does not take much to swing the pendulum in opposing directions. We must continue or perhaps do a better job at explaining to India and to the world at large the plus points and integrity of the business model and regulatory framework that we have adopted in the global business sector.

The evolution of the global business sector in the foreseeable future will be tributary to the performance of our main markets: Asia (especially India and China) and Africa. If status quo prevails, our Africa business will continue to grow while our India business will probably remain lukewarm. We will definitely however not be doing justice to our potential if we maintain status quo.

Nevertheless, it is an undeniable fact that serious and world

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class applicants for business are choosing Mauritius, in increasing numbers, over other traditional or emerging jurisdictions precisely because of the robust compliance and regulatory framework in place here and the high level professional services at competitive costs available in Mauritius. These Mauritius attributes fit in perfectly with those of serious clients who have to comply with similar requirements themselves in their source countries.

BUSINESSMAG. Is the enabling framework (arbitration laws, array of DTAs, IPPAs and FTAs, etc.) optimal?

The success of Mauritius as an international financial centre (IFC) is to a large extent due to the steadily increasing levels of expertise, professionalism, high-end service offerings of service providers in the industry, achieved through experience, investment in latest technology, constant training and employment of qualified professionals. To note that the financial services industry, at large, currently employs some 15,000 professionals.

Such success would have been difficult without having an appropriate enabling framework in place. It is a fact that the growth of the global business sector has been sustained by the necessary fiscal incentives and flexible but yet robust regulatory and legislative framework put in place which encompasses an expanding network of double tax avoidance treaties, Tax Information Exchange Agreements and Investment Protection Agreements.

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ronment is very dynamic and we have to evolve accordingly.

Government has already stated its vision for the Africa business which involves negotiating, ratifying and signing new double tax treaties and IPPAs, the appointment of roving ambassadors in Africa and more targeted promotion events. This vision must translate into action soon or else we may miss the boat.

Similarly, we need to make tangible progress on the India DTA matter. The risk of our competitive advantages being chipped away by our competitors is real. We cannot remain complacent.

The spate of new products and announced initiatives for new products and services like the Foundations, Limited Partnerships, Limited Liability Partnerships, Incorporated cell companies; exempt Funds, perpetual discretionary trust, regional headquarters and aircraft registration/financing among others also go in the right direction. We need to also optimise what we already have.

It is very important to convey the fact that we do have systems in place in Mauritius to check round tripping, that we do have a tested and robust policy of zero tolerance for money laundering and that the business model of two tier screening process, FSC and licensed Management Companies (MCs) along with the professional services rendered in Mauritius by such MCs definitely proves that compliance is definitely exercised and substance is concretely added to the Mauritius operations of global business clients.

In response to a Private Question posed in the Mauritius Parliament by the member of Parliament, K. Li Kwong



Wing, the Vice-Prime Minister, Minister of Finance and Economic Development reported that he is informed by the Mauritius Revenue Authority that the amount of corporate tax received from global business companies as a percentage of total income tax revenues, that is, both personal and corporate income tax, works out at 17% for 2011 and 20% for 2012, and as a percentage of total corporate tax revenues is 30% and 35% for 2011 and 2012 respectively. These figures prove beyond doubt that there is definitely substance in the Mauritius operations of the GBC1s!

It is furthermore enlightening to note that further to another question in relation to regular reports from India and Indian authorities of alleged abuses of the DTA, especially abuses of round tripping, the Minister responded that to his recollection, no case has actually

been proved in our Courts here, in Mauritius. We must report these facts to the world to prove our good faith.

BUSINESSMAG. Will the global business companies need to shift the focus from Europe to Africa and Asia given the faltering euro zone?

Global business entities have always largely targeted emerging economies to fulfil their business and investment objectives while the source of funds has largely been Europe and the US. This trend has been in effect since several years now. The emergence of Africa has and is no doubt influencing the focus towards its shores. Asia is also a rather net beneficiary of such shift of focus. The faltering euro zone is increasingly making Asia and Africa more attractive and this augurs well for Mauritius which is positioning itself as the business hub, par excellence, in this region.