The Mauritius IFC: Driving Quality Investments in Africa

In response to the article, ***'One Company's Tax 'Heaven' Is Senegal's Tax 'Hell'***, published on the 22nd of May 2018 by the International Consortium of Investigative Journalists (ICIJ).

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The **Economic Development Board of Mauritius (EDB)**, the apex organization mandated, *inter alia*, to promote and develop Mauritius as an international financial centre, raises strong objections to the various unfounded and factually incorrect references made about Mauritius in the above-mentioned article.

The EDB strongly condemns the allegation that Mauritius is a 'renowned tax haven' for Africa.

On the contrary, Mauritius has been at the forefront of driving quality investments into Africa. The international investing community chose Mauritius as its hub of choice for its Africa-bound operations and investments notably because the country has established itself as a robust, transparent and reliable business-friendly jurisdiction.

As a member of regional economic blocs such as the Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA), as well as being a founding member of the African Union (AU), Mauritius is constantly playing an active role in enhancing and fostering diplomatic and economic cooperation within African countries.

In fact, for a number of important projects like the processing plant in Senegal, Mauritius acts as the necessary enabler in bringing all the economic and geopolitical conditions together to make the project possible and commercially viable.

In the ICIJ article, the journalist assumes that Senegal has lost out on $8.9 million in tax revenues, but would the project or SNC-Lavalin's involvement have occurred without the use of Mauritius as an investment hub? Removing Mauritius from the equation could have meant no processing plant, no jobs creation, no income tax collected from the jobs created, no increase in GDP and above all, no profit and no tax by the engineering firm.

Furthermore, a number of Mauritius governmental and parastatal bodies are also playing a key role in assisting investors for their African-bound investment projects, and are enhancing the business climate environment in Africa. These initiatives, which include the sharing of knowledge and expertise and development of special economic zones by Mauritius in partner African countries, such as Senegal, Madagascar, Ghana and the Ivory Coast, demonstrate the continuous efforts of Mauritius to be a development partner.

Mauritius also has a very dynamic and diversified economic base, with sectors including tourism, financial services, ICT/ BPO, agriculture, and manufacturing, amongst others. Financial services only account for an average of 12% to the economy. As such, whilst enabling projects in Africa, Mauritius also benefits from direct foreign investments, in sectors such as manufacturing, real estate, banking and insurance, agriculture, energy and other infrastructure projects.

It is important to highlight that investors look beyond tax incentives to invest through an IFC. In fact, more than 40% of total investments from Mauritius into Africa are directed towards countries with which Mauritius does not have a tax treaty (or where the tax treaty is not yet into force). The investors notably look for:

- Political stability - 1st in Africa for the Democracy Index 2017 (The Economist Intelligence Unit);
- Good governance - Mauritius ranks 1st in Africa for the Mo Ibrahim Index of African Governance 2017;
- Ease of doing business - Mauritius ranks 1st in Africa in the World Bank Doing Business 2018; and
- Economic democracy - 1st in Africa for the Index of Economic Freedom - Heritage Foundation, and 1st in Africa in the Economic Freedom of the World – Fraser Institute.

Investors also look at the ecosystem of the IFC. The Mauritius IFC offers a plethora of services, in a well-regulated eco-system, which enable successful cross-border investments into the African continent. The Mauritius IFC also offers full protection of foreign investments through its network of Investment Promotion and Protection Agreements (IPPAs), possesses a skilled and bilingual workforce, and a modern hybrid legislative framework. Its transparent legal regime, competitive operational costs, and efficient financial and legal professionals are amongst some of the factors that have emboldened investors to use the Mauritius IFC as a platform to invest in Africa.

The Mauritius IFC is well-regulated jurisdiction when it comes to international fiscal matters and combatting of illicit flows:

- The OECD’s Global Forum on Transparency and Exchange of Information for Tax Purposes rated the Mauritius IFC as a **“Compliant”** jurisdiction, which is the highest rating, in August 2017, whereas Australia, Canada and Germany, for example, are only regarded as “Largely Compliant”;

- In December 2017, Mauritius was endorsed by the EU for not being in the 'European Union list of non-cooperative jurisdictions';

- In June 2015, Mauritius signed the OECDs' Multilateral Convention on Mutual Administrative Assistance in Tax Matters. Mauritius currently has an exchange information mechanism with 127 jurisdictions;

- Mauritius is a member of the Early Adopters Group committed to the implementation, as from 2018, of the Common Reporting Standard (CRS) on the automatic exchange of tax and financial information on a global level, which the OECD developed in 2014;

- Mauritius is the first African country to have signed the Intergovernmental Agreement with the United States for the implementation of the Foreign Accounts Tax Compliance Act (FATCA) in December 2017;

- Mauritius is a founding member of the Eastern and Southern Africa Anti Money Laundering Group (ESAAMLG), which looks at combatting money laundering, the financing of terrorism and other forms of financial crimes;

- In July 2017, Mauritius signed the "Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting" (MLI);

- Mauritius has joined the Inclusive Framework to implement the BEPS Recommendations and the new initiative on exchange of Beneficial Ownership information; and

- Mauritius is currently finalising procedures to join the Yaoundé declaration, which is accompanied by a call for action that requests African Heads of State to support the substantial reduction of illicit financial flows through international tax cooperation. The Yaoundé declaration was made in the margins of the 10th plenary meeting of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes.

Finally, the author of the article was incorrect to say that SNC Lavalin-Mauritius did not have construction equipment in Mauritius – this is an invalid point since the mine is in Senegal and not in Mauritius. The article further mentions issues such as "lack of diverse compensation options" or that "the mine was not universally welcomed". Unfortunately, these issues could have happened, irrespective of whether the investment would have been made directly to Senegal, through Mauritius or any other jurisdiction. It is highlighted that experts consulted by ICIJ were unable to state if the Canada treaty could have delivered the same tax benefits to SNC-Lavalin, which appears vague and unsubstantiated.

Mauritius has and will continue to implement the necessary norms and standards as required by the international conventions while promoting ethical principles and a robust eco-system at the service of the African continent. Contrary to what has been portrayed in the ICIJ article, Mauritius does not see economic development as a zero-sum game and hopes that its contribution to the development of Senegal and other African countries will lead to their populations also enjoying inclusive prosperity.

As an African country, Mauritius has and continues to be a strategic development partner, in and for, the Continent.

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For media queries, please contact +230 203 3800

For more information on the Mauritius International Financial Centre, please contact the EDB's Financial Services on +230 401 1200 or finserv@edbmauritius.org

http://www.edbmauritius.org

Economic Development Board Mauritius

10th Floor, One Cathedral Square, 16 Jules Koenig Street, Port Louis, Republic of Mauritius