



Mauritius Global Business Survey

June 2016

Foreword

In its first year, the "Mauritius - India DTA" is a first series of financial services sector market research conducted by VERDE, and focuses on the recent revision to the Mauritius – India Double Taxation Avoidance Agreement.

The survey obtained 114 respondents who shared key trends and their expectations of future developments.

The dominant concern for stakeholders in the industry today is the impact that the amendment to the treaty will have on the sector and the economy at large. Growing concerns seem to stem from the lack of clarity from the Government on its long term vision for global business.

It was recently communicated by FT that - *"India has closed a loophole that has long allowed domestic and foreign investors to escape taxes on short-term investments by routing them through the island nation of Mauritius"*.

While stakeholders' view the use of G2G agreements as a fully legal and compliant structure to use Mauritius as a tax efficient jurisdiction, many advocates question the morality behind such a framework. The ongoing debate is, what is the reason behind this significant growth in the sector? Mauritius being perceived as a financial platform of excellence or Mauritius being used as a platform to principally benefit from taxation?

Through the respondents of the survey, some of the inferences that we make are:

- From now to March 2017, the view is that the annual change in FDIs into India will be between 0% and 10%; a negative change of between 0% and 10% is expected for the period April 2017 to March 2019, and a negative change of more than 20% from April 2019 onwards;
- India, which has been seen as the main investment destination region from the global business sector during the past 5 years, is expected to move to the fifth regional position in the next 5 years, whilst Africa is expected to move from third position to first position; and
- The emergence of the Africa opportunity is only seen as the third most important driver of the global business sector, with the top two drivers being investment protection and wealth planning.

We aim to expand next year's number of participants and range of topics covering the financial services sector.

VERDE will continue to disseminate information in an un-biased and independent manner through an annual Financial Sector Survey. We welcome any feedback on themes that stakeholders would like us to cover.

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For current copies of the survey, data and coverage of the survey in the media and elsewhere, please visit:

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The Big Picture

64% of respondents rank the tax efficient jurisdiction of Mauritius as the main reason for growth of the sector.

By using a scoring method for each criteria, it is determined that Taxation, Low cost base and Ease of doing business are seen as the main contributors to the sector growth. A score of 340, 230 and 208 is achieved respectively.

A large majority of respondents think that redefining the long term vision of the sector with all stakeholders should be the main focus of the Government.

In total, respondents believe that engaging with stakeholders to (1) redefine the long term vision and to (2) identify new markets/solutions are the most important, followed by consolidation of the regulatory framework.

Chart 1. Drivers of growth

Respondents' assessment of the five main reasons for growth of the global business sector in Mauritius over the last 15 years.

On a 5-point scale, where 1 is the most important and 5 the least important.

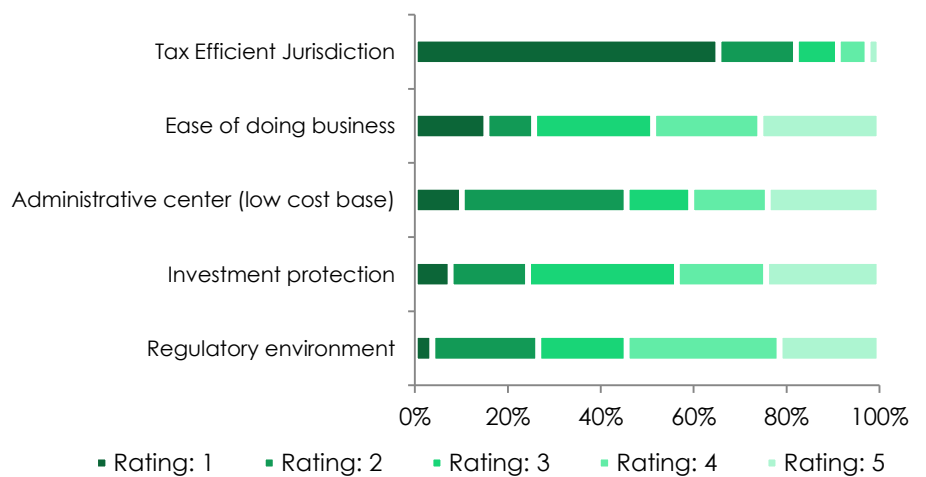
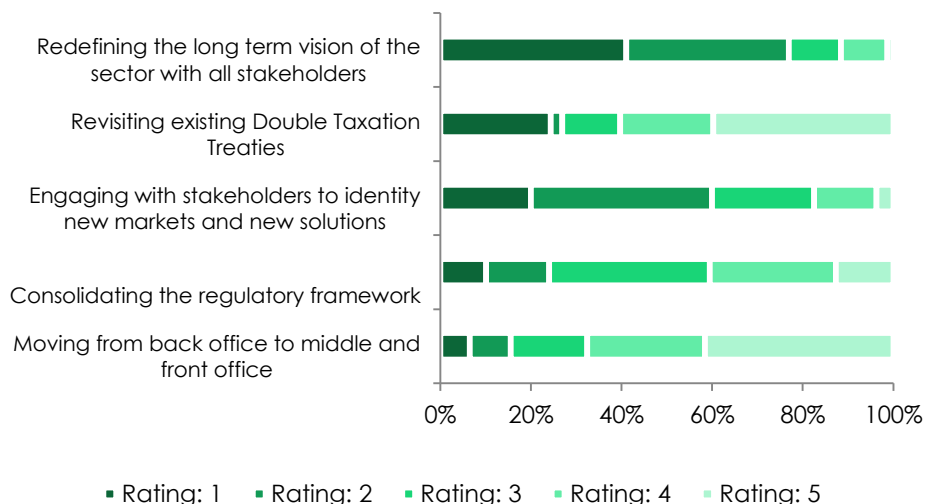


Chart 2. Efforts of the Government for betterment of the sector

Respondents provide their views on where they believe the Government should focus.

On a 5-point scale, where 1 is the most important and 5 the least important.

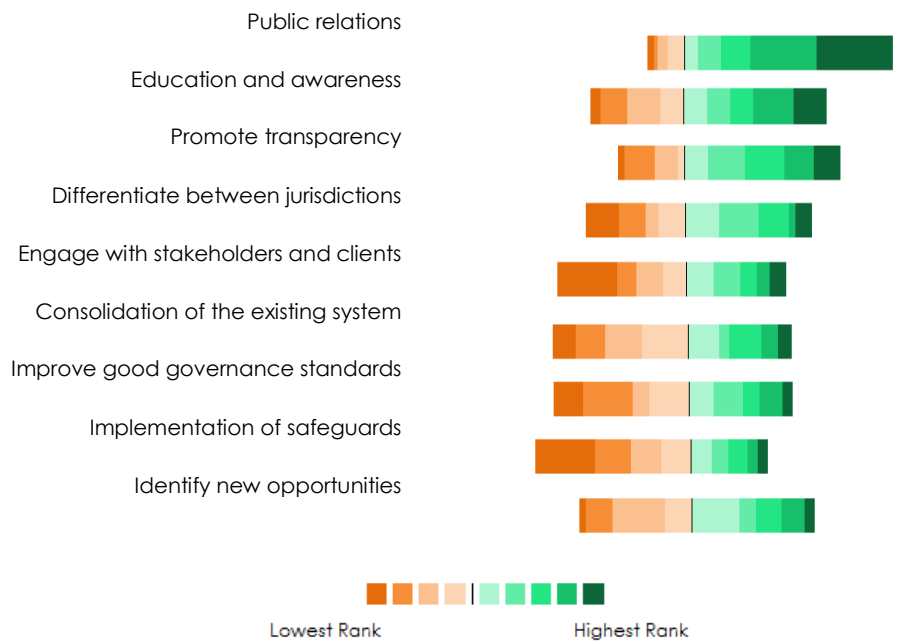


Respondents in total rate (1) promote transparency, (2) improve good governance and (3) education and awareness as being the most important for Mauritius to be seen as a financial center of excellence. The scores achieved are 570, 457 and 454 respectively.

However, identify new opportunities and differentiate between jurisdictions are seen as the least important. The scores achieved are 281 and 344.

Chart 3. Tax evasion and the global business sector

At a time when the global business sector is in the limelight (Panama papers etc.), public opinion is that offshore jurisdictions are used predominantly for tax evasion. In this prevailing context, respondents share their views on what Mauritius should do, to avoid falling into this perception trap.

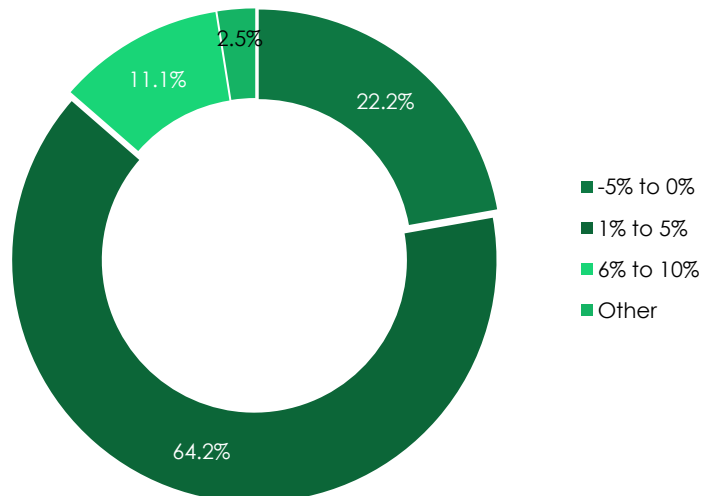


The revision of the existing Mauritius India treaty have fed through to respondents' perception over projected annual growth of the sector.

22% of respondents believe that the sector will shrink by 0% to 5%.

However, 64% of respondents think that the sector will achieve a growth of between 1% to 5% over the next 5 years.

Chart 4. For the next 5 years, what is the annual growth that you foresee in the global business sector?



In general, the perception of respondents towards the three consumer segments which contributed most to the global business sector are investment holdings, alternative funds and traditional funds with a score of 411, 374 and 334 respectively.

Consumer preferences, which tend to be broadly in line with sophistication of the sector, are reflected in the views of the respondents.

Chart 5. Profile of global business consumer

% of respondents who ranked the top 3 end-user segments' businesses of the global business sector which have seen the biggest growth in the last five years.

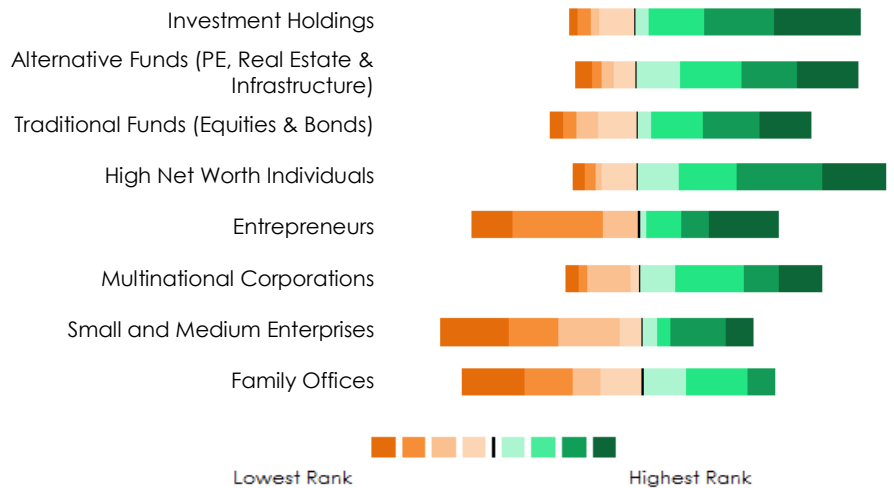


Chart 6 compares the views of respondents on different policies and regulations affecting or likely to influence the global business sector.

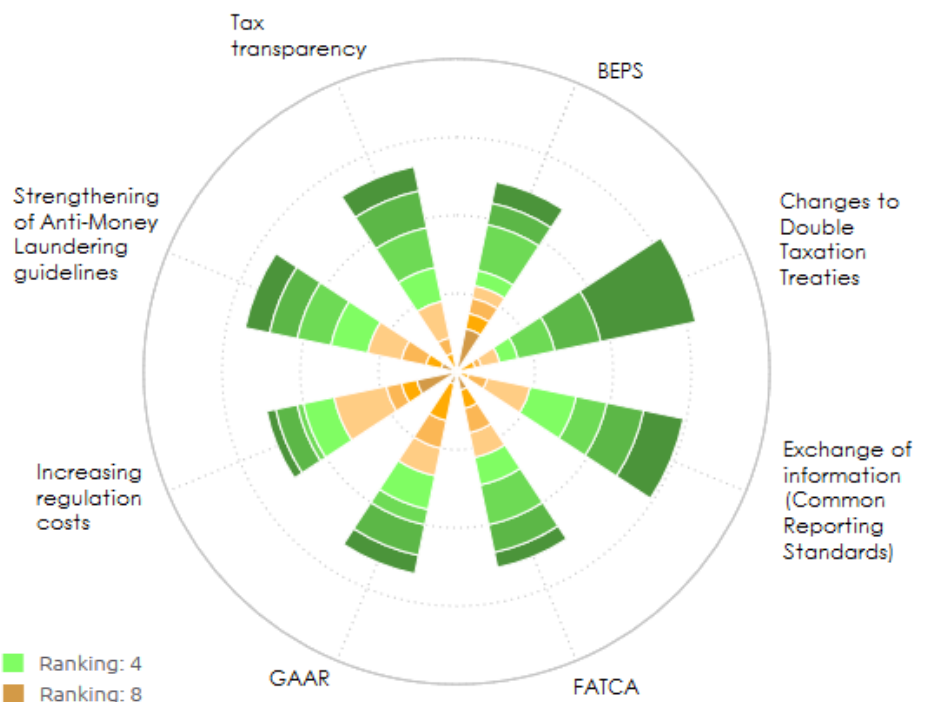
In general, the perception today is that changes to double taxation treaties and CRS are likely to have the greatest impact on the sector.

On the other hand, BEPS and increasing regulation costs are seen as the least important factors.

Chart 6. Impact of regulations and policies

Respondents' view on regulations/policies, new or existing, which are likely to have an impact on the Mauritius global business sector over the next 5 years.

On an 8-point scale, where 1 is the most important and 8 the least important.



■ Ranking: 1
 ■ Ranking: 2
 ■ Ranking: 3
 ■ Ranking: 4
■ Ranking: 5
 ■ Ranking: 6
 ■ Ranking: 7
 ■ Ranking: 8

Bad Negotiation or Good Resolution

The scoring method demonstrates that, according to respondents, the revision of the Mauritius - India treaty will result in the following (in order of priority):

- i. Diversification of activities of global business companies [score of 213]
- ii. Decrease in reliance on India business [score of 190]
- iii. Large influx of clients before April 2017 [score of 150]
- iv. Improved G2G relationship with India [score 127]

Chart 8 compares the likely change in FDIs that will result from the revision of the Mauritius - India treaty between now and March 2017, between April 2017 to March 2019 and from April 2019 onwards.

The further away a coloured line is from the center, the greater the number of respondents' selection to the change in FDIs.

- From Now to March 2017
- From April 2017 to March 2019
- From April 2019 onwards

Chart 7. Impact of treaty revision on Mauritius

After several years of negotiations on the treaty, Singapore has been particularly benefiting from this situation. Respondents' views on the main impact of the amendment to the Mauritius - India Treaty.

On a 4-point scale, where 1 is the most important and 4 the least important.

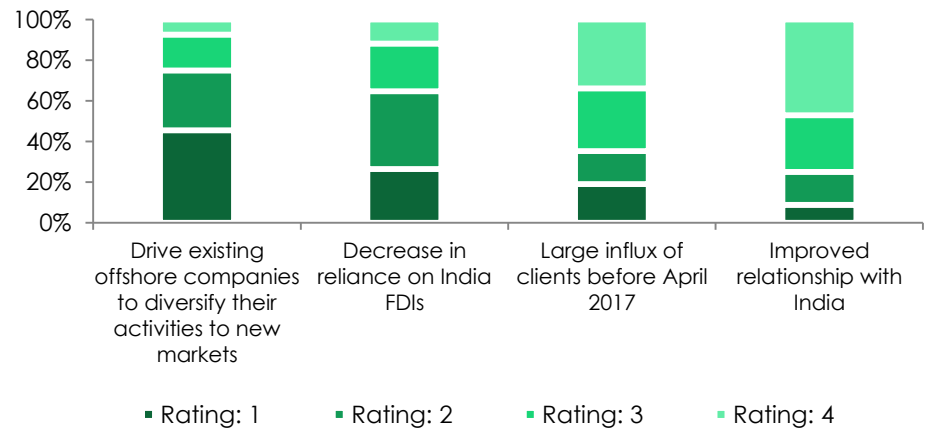


Chart 8. FDI flows

From April 2000 to December 2015, Mauritius accounted for a third of FDIs into India, totalling USD 94bn (representing an average of USD 6bn per year). The chart below illustrates respondents' views on the expected average annual change in these flows with the revision of the Mauritius - India Treaty.

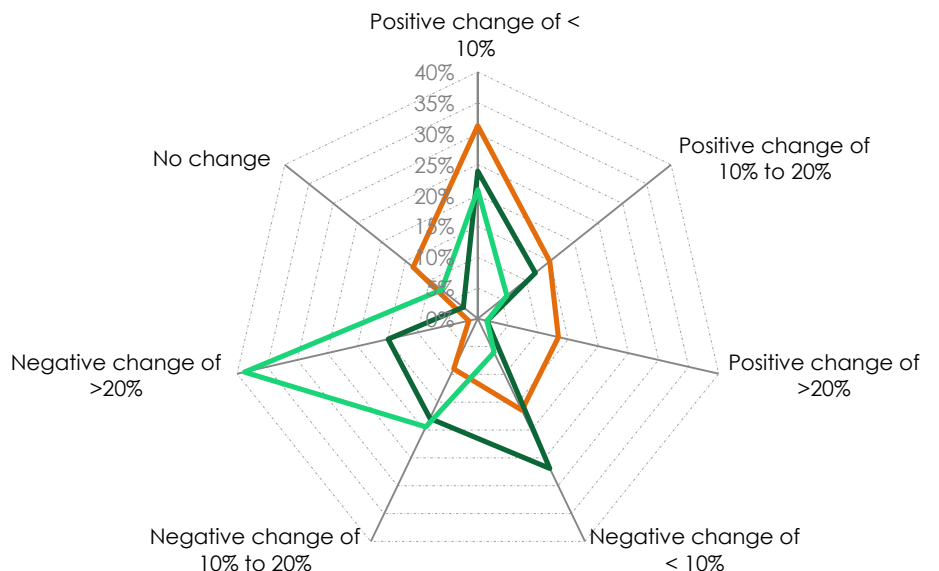
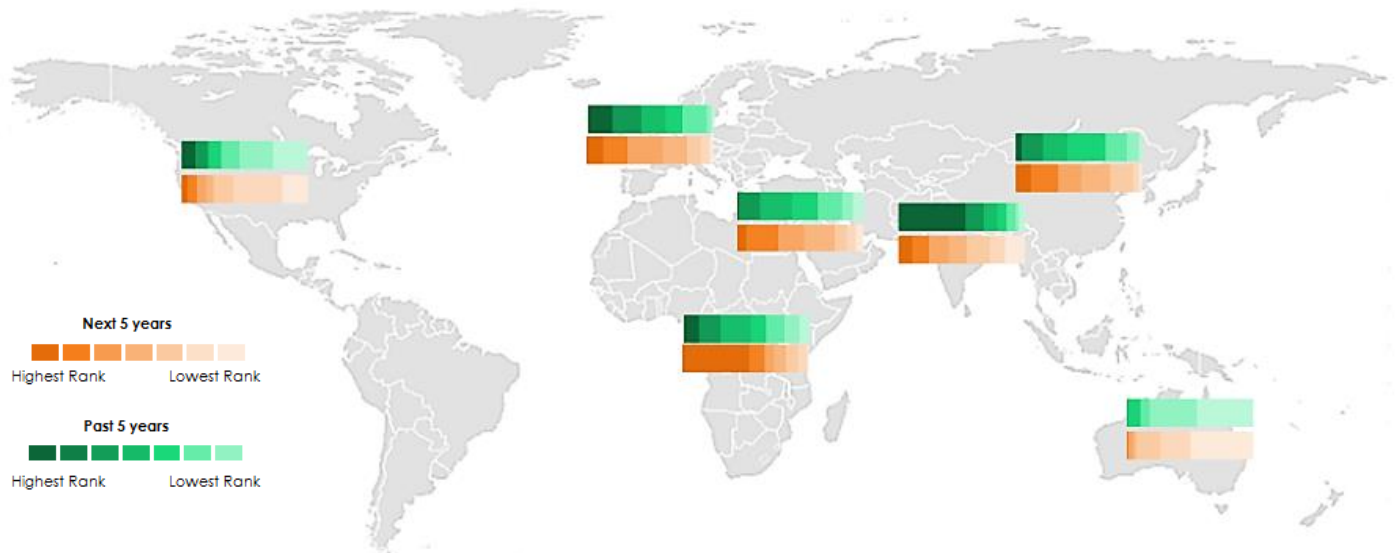


Chart 9. Attractiveness of the sector – past and future

Respondents views on the investment destination using the Mauritius global business sector, by region, over the last and the next 5 years.



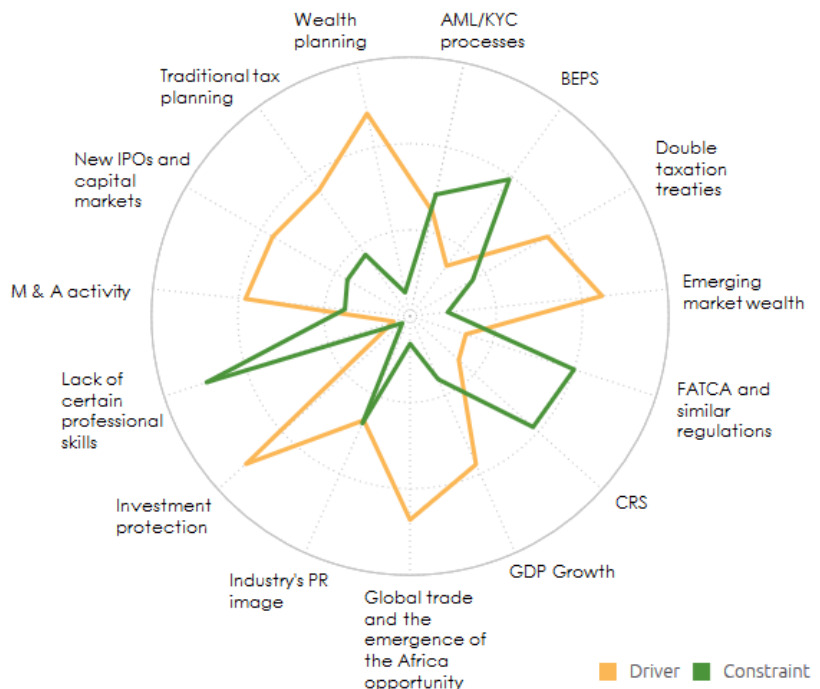
Using the scoring method, for the past 5 years, India gains the top score at 389. For the next 5 years respondents believe that the shift in the investment destination by region will be to Africa with a score of 382. For the next 5 years, respondents give India a score of 261 which ranks India at number 5, in the regions considered – Australia/New Zealand, Asia exc. India, Europe, Middle East, North America and Africa.

Chart 11 illustrates the categorisation of 15 factors by respondents into drivers or constraints of the global business sector.

The further away a coloured line is from the center, the greater the number of respondents' selection to that driver and constraint.

Respondents demonstrate a mixed perception (what for some are seen as drivers, for others are constraints). This divergence is more pronounced for AML/KYC, Industry's PR image and Traditional tax planning.

Chart 10. Drivers and constraints of the global business sector



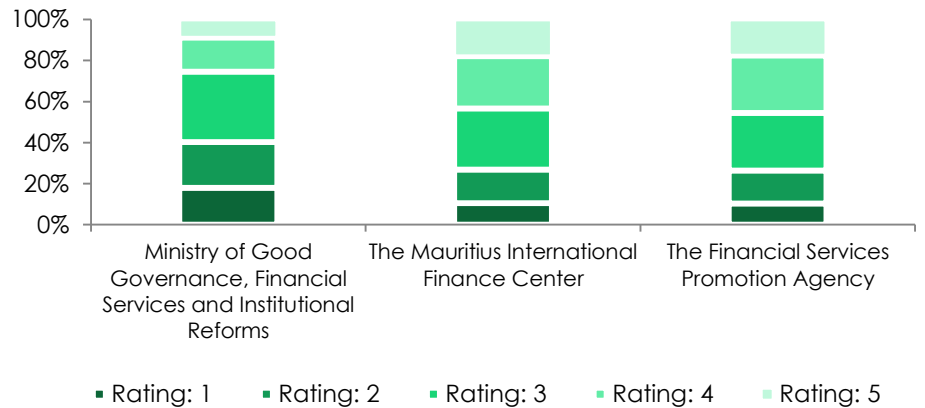
On a scale of 1 to 100, with 100 being the most effective and 1 the least effective, the scoring is as follows:

- i. FSPA [58]
- ii. Mauritius IFC [56]
- iii. Ministry of Good Governance, Financial Services and Institutional Reforms [44]

Chart 11. Government initiatives

Respondents' views on the foreseen contribution of the following bodies to the growth of the financial services sector.

On a scale of 1 to 5, where 1 is not effective at all and 5 is the most effective.



Respondents' comments

"...we should be competing with Singapore technology-wise. Focusing on tax amendments should not be at the forefront..."

"...do not put all eggs in one basket - we need to move from the era of low tax jurisdiction to a more compliance-centric jurisdiction with emphasis on transparency..."

"...FSPA could take the lead on a think tank to drive the global business/ financial services sector of Mauritius..."

"...a lot of challenges ahead and all stakeholders concerned should work together to find new ways of attracting investors to use our global business sector..."

"...changes in treaty benefits should not be taken negatively, we should endeavor to find new ways of doing business, compare other treaties to find out where we can have a competitive advantage..."

"...Industry should be self-regulated, but operate within clearly defined rules..."

"...with the change in the DTA with India, hopefully it is not the end of our global business sector. The future in this sector looks very uncertain and unstable..."

"...the global business sector is at the Centre of the development of the Financial sector in Mauritius. We need to use it as a stepping stone for further development. The spill-over effect in the economy is too important to be ignored..."

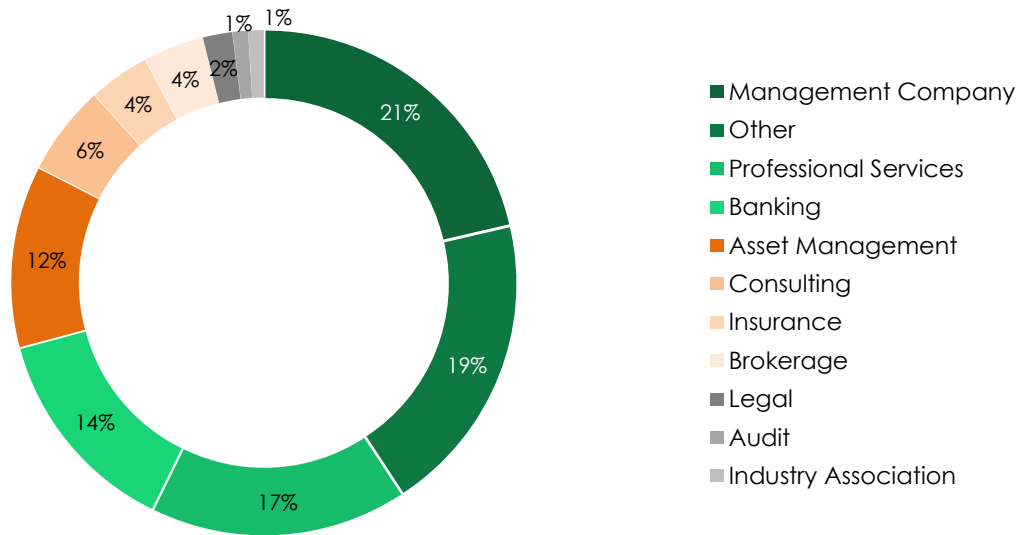
"...many of the drivers are also constraints..."



About the survey

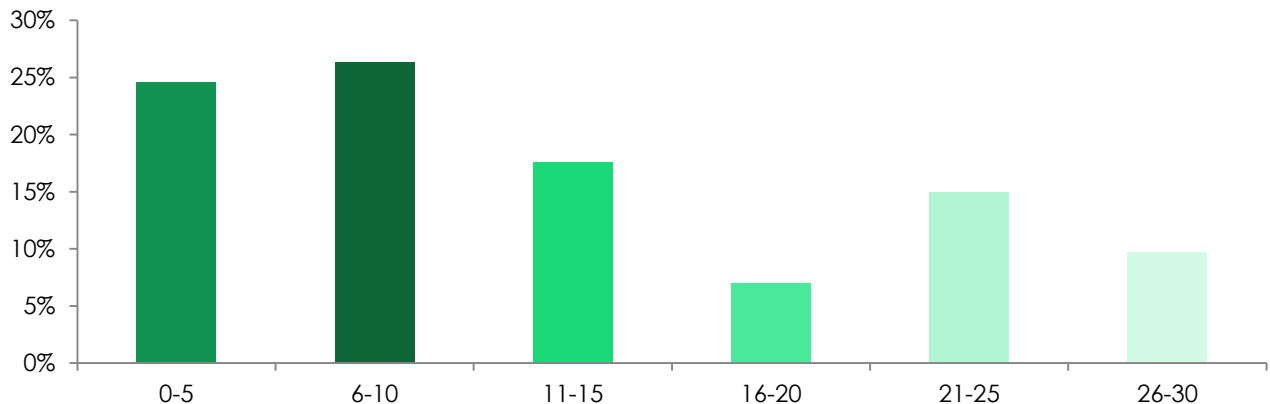
VERDE's first Mauritius Global Business Sector Survey was published in June 2016. Respondents were based principally in the Republic of Mauritius. The data gathering exercise was conducted between 23 May 2016 and 03 June 2016. A total number of 114 respondents from more than 80 organisations in Mauritius participated in the survey.

Sector of activity of the survey respondents

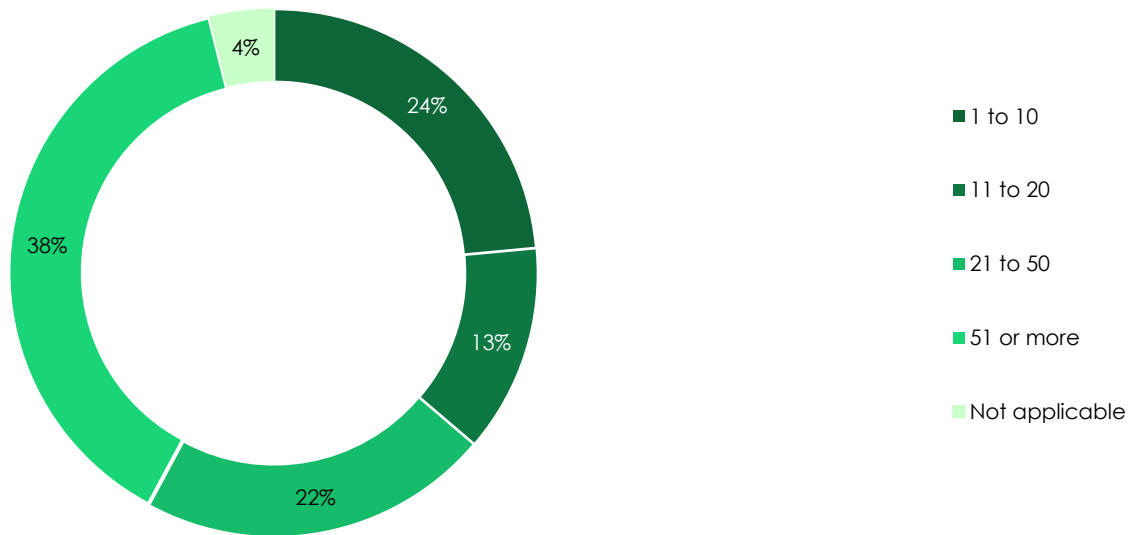


Other – Aviation, Engineering, Property Development, Academia, ICT, Distribution and Energy

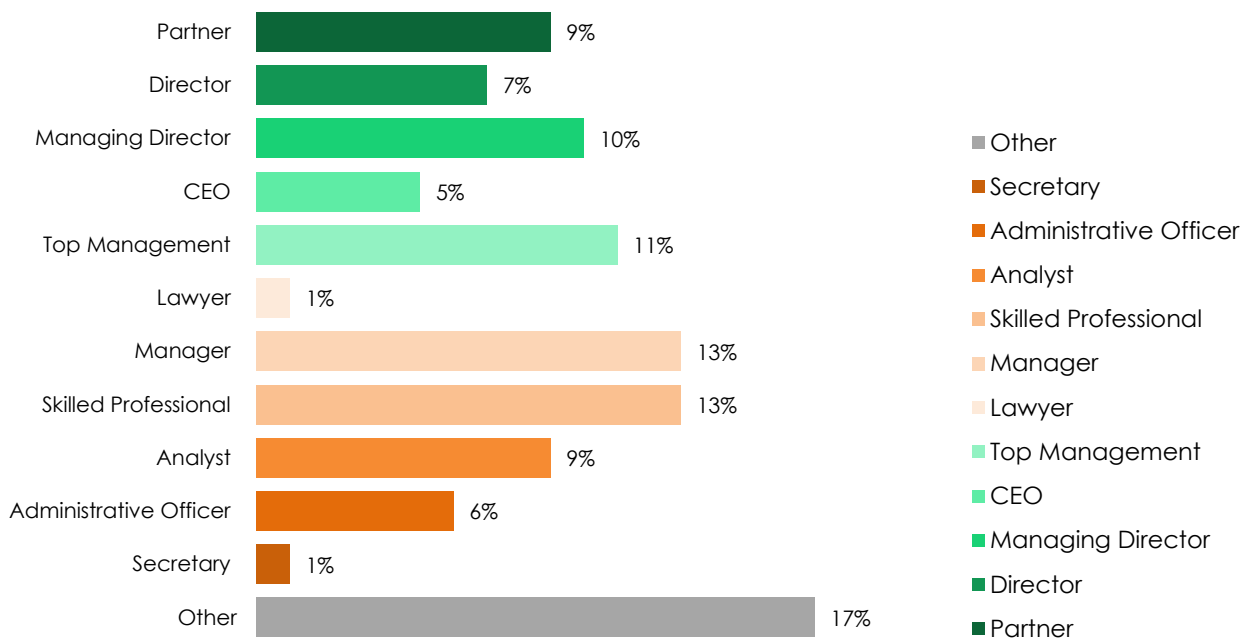
Average number of years in profession - Histogram of survey respondents



Number of employees in the organisation of the survey respondents



Job profile of the survey respondents



Other includes MLRO's, Head of Assets and Liabilities, consultants, traders and independent practitioners.

The VERDE GLOBAL BUSINESS SECTOR SURVEY is a survey of industry professionals that gauges attitudes to the Mauritius financial services sector. To join our panel of esteemed respondents and for any information on this publication, please contact Maahi LallBeehary on (230) 454 9491 or e-mail info@verdefrontier.mu.

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