

Mauritius

The Mining Hub for Africa

By Graeme Robertson, Chairman of the Intrasia Group in Mauritius

The American writer, Mark Twain, in the nineteenth century after visiting Mauritius wrote, "Mauritius was made first and then heaven; and heaven was copied after Mauritius". The same writer wrote, perhaps unfairly, that "a mine is a hole in the ground owned by a liar". What the two statements have in common is that neither reflect the dynamic economic direction of Mauritius as a base for the mining industry in an increasingly assertive African environment.

Often described as the "Singapore of Africa", Mauritius is in effect, an African country unlike no other. A founding member of both Southern Africa Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA), organisations which cover trade and development in Southern and Eastern African nations, it is also a signatory to the CFTA which is creating a continental free trade market in Africa. Mauritius is rated by the World Bank (2019) as 1st in Africa for doing business and 20th globally, the Fraser Institute (2018) as 1st in Africa for economic freedom and 8th globally, the Economist Intelligence Unit (2017) as 1st in Africa for democracy and 16th globally, and in other measurements (2018/9) 1st in Africa in competitiveness, governance and cyber security.

Mauritius has a simple tax jurisdiction with 15% maximum rate with Global Business Companies (GBC) qualifying for up to 80% exemption on specific forms of income, such as approved foreign-sourced income, interest and royalties. There is no exchange control, no Capital Gains Tax and no withholding taxes. Exchange rates between the local Rupee and USD have remained in a narrow band over the last 10 years. Mauritius has 21 licensed commercial banks, a full range of financial institutions and is fully compliant with OECD regulations. Unlike many other countries, Mauritius has found that lower taxes create greater revenue from the encouragement of more business development.

Mauritius is by far the most effective conduit to invest in Africa. In 2016 private equity through the Mauritius International Financial Centre into Africa was around US\$29 Billion, whereas total FDI into Africa was only US\$58 Billion. Mauritius has realised the importance of its African strategy and has concluded 46 Double Taxation Avoidance Agreements (DTAA), 22 of which are with African countries; and 44 Investment Promotion and Protection Agreements (IPAA) including 23 with African countries. The IPAA are considered essential to de-risking investment into relevant African countries as they guarantee Mauritian

investment with respect to expropriation and social unrest in contracting states, as well as provide mechanisms to settle dispute.

A multi-party parliamentary democracy with the Westminster type of government, Mauritius is ranked as a full democracy with the Supreme Court as the highest local authority, with right of appeal to the Privy Council in the United Kingdom. Law in Mauritius borrows from both the English and French judicial systems. Mauritius is also an outstanding regional Centre for International Arbitration. With the arbitration through MARC, under the independent control of the Mauritius Chamber of Commerce and Industry (MCCI), and a focus on disputes in relation to Africa, Mauritius has established itself as a dispute settlement hub for Africa.

The Financial Sector currently contributes 12% to the Mauritian economy with more than 450 private equity funds domiciled in Mauritius, as well as an estimated 50%+ of all foreign-owned mining leases in Africa held through GBCs incorporated through Mauritian corporate services management companies and licenced by the Financial Services Commission. Worthy of note is the Stock Exchange of Mauritius (SEM) which is the only exchange in Africa to possess a multi-currency platform, open for dual currency trading which has raised US\$6.5 Billion in the last 10 years, 80% by GBCs. Out of 156 new listings, 29 are Africa-focused securities.

How does this impact the operations of the mining industry in Africa?

In terms of the supply of software services and spare parts/equipment, the establishment of a GBC to process imported goods into Mauritius for delivery into Southern and Eastern Africa through SADC and COMESA duty free facilities

could reduce the cost of landed goods. The establishment of office facilities in Mauritius to provide back office support in accounting services and drafting could save considerable costs, particularly when there is the employment of expatriates involved and could be claimed as a tax deduction. In fact, back office services in Mauritius could be applied to Australia, Canada and other mining countries to reduce employment costs equally as to Africa.

In terms of mining concessions owned by a Mauritian GBC (which is in turn



Caption - Seminar organised by the Mining and Energy Club. From left to right, Dipna Gunnoo, Head of the MCCI Arbitration and Mediation Centre (MARC), Jason Harel, Co-Founding Partner of BLC Robert & Associates, Sunil Benimadhu, CEO of the Stock Exchange of Mauritius (SEM), Graeme Robertson, Chairman Intrasia Corporate Services/LJ Fiduciary, Kareena Neisius, Director of the Mining and Energy Club, Robin Smither, Senior Executive Corporate Banking at AfrAsia Bank Limited and Kym Fullgrabe, Senior Trade Commissioner, Africa from Australia.

owned by the overseas mining company) it requires only the sale of the GBC to transfer title of the concession. This can be done without harming the operation in the host country and without capital gains tax. The establishment of a Mauritian GBC considerably de-risks mining projects in African countries which have an IPAA with Mauritius, making funding more available and providing investment income to the host country. The DTAA also assists in the reduction of withholding taxes and other financial returns. Payment of expatriate salaries, partly in Mauritius for work undertaken in Africa, is also an efficient mechanism to reward effort or reduce operating costs.

Mauritius itself makes an ideal "fly in fly out" centre, providing safety, security and

education to families, as well as an excellent living environment while the bread winner is on site.

There are many more opportunities for the mining industry to use Mauritius as a platform for operations in Africa. The recent establishment of the Mining and Energy Club of Mauritius is an example of the changing orientation of business in Mauritius to capture benefits from the mining industry. It recognises Mauritius' strength, as it does not have a mining industry itself and is therefore a neutral, independent country for the provision of mining policy, law, education services and financial assistance through the abovementioned facilities in Mauritius - SEM and MARC. For junior explorers and developers, the Second Board of SEM represents an interesting facility to assist fund raising for projects, not only in Africa but also in Australia and other mining countries where funding is difficult for junior mining companies.

Banking facilities are excellent in Mauritius and it is beneficial for mining companies operating through Mauritius into Africa, to safely keep funds in Mauritius. Some of the local banks like the dynamic AfrAsia Bank is seriously looking at syndication of debt instruments for mining, at rates competitive with anywhere in the world. Mark Twain was certainly correct for the wrong reasons; low taxes and business friendly and entrepreneurial innovation have made Mauritius a modern heaven for Africa focused business, and, as there are no mines in Mauritius, there must not be many liars! █

(Graeme Robertson is Chairman of the Intrasia Group in Mauritius which includes corporate and financial services to the mining industry through LJ Fiduciary, Intrasia Corporate Services and the Mining and Energy Club Ltd)