INTERCONTINENTAL TRUST NEWSLETTER

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Intercontinental Trust Ltd

THE GOLDEN GATEWAY OF AFRICA

Preamble

Last month, the European Parliament voted in favour of the adoption of its TAX3 Committee Report on financial crimes, tax evasion and tax avoidance which among others, recommended the phasing out of Citizenship by investment (CBI) and Residency by Investment (RBI) schemes in the European Union (EU). It also calls upon EU Member States to require physical presence in the country as a condition for benefiting from CBI and RBI schemes (hereafter collectively referred to as the "Schemes"), to exercise enhanced due diligence as recommended by the 5th EU Anti-Money Laundering Directive (AMLD5) and to compile and publish transparent data related to the Schemes until their repeal.

According to the TAX3 Committee Report (the "Report"), 18 member states have some form of CBI and RBI schemes, commonly referred to as "Golden Visas and Passports", in place where citizenship or residency is granted to both EU and non-EU citizens in exchange for financial investment. The investment migration industry has grown in a multi-billion euro industry in the past decade, generating around EUR25 billion of Foreign Direct Investment over the same period. However, The EU is concerned that the lure of quick gains has somehow overshadowed the ethics and risks associated with such schemes.

The Report highlights the fact that as at date, around 6,000 persons acquired citizenship while another 100,000 persons were awarded visas through the Schemes. According to the EU, the lack of proper customer due diligence screening in the grant of the citizenships and visas has significantly increased the political, economic, money-laundering and security risks for European countries. In many instances, citizenship/visas were awarded to Russian citizens who ought to have been on the sanction list adopted by the EU after the annexation of Crimea by Russia. Based on the findings by the Organisation for Economic Co-operation and Development (OECD) , the EU is also concerned that the Schemes, especially those of Cyprus and Malta, could be misused to undermine the Common Reporting Standard (CRS) due diligence procedures, leading to inaccurate or incomplete reporting.

Unearthing the Mauritian opportunity

In this day and age, global mobility is a reality and investors are keen to move to other jurisdictions to uncover new opportunities or for a plethora of other legitimate reasons such as better education and job prospects for children and the privilege of living in a politically stable country.

Now that the EU is considering closing its doors to investors wishing to gain residence or citizenship in their territories, there is a spectre of uncertainty that has been cast on those investors who have already been awarded residence or citizenship through the Schemes and a permanent question mark hangs over their fate: will they be subject to constraints or obligations by EU member states? Investors may need to consider other alternatives.

Nestled in the heart of the Indian Ocean, Mauritius provides the ideal destination for investors wishing to work and live in a country that embraces and thrives on cultural diversity, political stability, a sophisticated legal and banking framework, an attractive fiscal regime amongst many other attributes. Since the mid-1990s, the Mauritius International Financial Centre has been used as a platform for investment into Asia and now increasingly into Africa. In a bid to add more substance to the economic operations of foreigners in and from the island, the Mauritius government is actively encouraging foreign talents and investors to settle down in the country. Although, there are no CBI schemes in place at the moment, the Mauritian government has introduced RBI initiatives for which several routes* have been devised. In the financial year 2017-2018, nearly 37,000 residence permits were issued to foreigners and these include around 3,200 permits that were awarded to professional and self-employed expatriates and another 240 that were issued to retired individuals.

** You will find more information about the various routes available to investors in our "Moving to Mauritius" Newsletter. You may access same by clicking HERE.*

It is worth noting that the OECD could not fault the RBI opportunities offered by Mauritius and these were considered not high-risk to the integrity of CRS following an analysis of 100 CBI/RBI schemes, offered by CRS-committed jurisdictions, in November 2018.

The salient advantages of living in Mauritius include:

- Attractive Fiscal Regime

Mauritius provides for a flat and homogenized tax rate of 15% for both corporate and personal income. In addition, there is no tax on dividend and no capital gain tax. A brief comparison of the Mauritius fiscal offering with a few of its EU counterparts, is as follows:

Countries	Personal Income Tax	Corporate Tax	Capital Gains Tax	Inheritance Tax	Wealth Tax
Mauritius	15% [a]	15% [b]	nil	nil	nil
Malta	15 – 35%	35%	For Corporates: 35% For Individuals: 15 – 35%	5% [c]	nil
Cyprus	20 – 35%	12.5%	20%	nil	nil
Spain	19 – 23%	25%	For Corporates: 19-23% For Individuals: 25%	7.65 – 34%	0.2 – 2.5%
Portugal (mainland)	14.5 – 48%	21%	For Corporates: 21% For Individuals: 28%	10%	nil

a. Investors may choose to become tax resident in Mauritius by residing on the island for a period of 183 days or more in an income year or for an aggregate period of 270 days in an income year and the 2 preceding income years. A resident of Mauritius is taxable on worldwide income only if it is remitted to Mauritius.
b. A resident company is liable to tax in respect of its worldwide income, whether its foreign source income is remitted or not to Mauritius.
c. Stamp duty on transfer of property

- A melting pot of cultures

The island nation revels in its cultural heritage and its populace is made up of a mix of people of Indian, African, French and Chinese descent. The increasing influx of foreigners opting to have residence in Mauritius over the past few years confirms belief that foreigners find it easy to blend into the local culture.

- International standards in banking, health and education

The island boasts a smorgasbord of both international and local banking institutions, all adhering to the best international banking practices and providing internet banking facilities. In addition, there is no exchange control in Mauritius, implying that funds are moved freely in/out of the country for any lawful transactions. The local healthcare system is marked by the presence of several public and private operators that deliver health care services as per international norms and standards. On the educational side, Mauritius offers both British and French schooling systems where students can sit for either the UK Cambridge University A-Levels, the French Baccalaureate or the International Baccalaureate. While these qualifications enable students to pursue higher education worldwide, they can also consider local tertiary education providers who offer internationally recognized degrees and post-degree qualifications.

How can we help?

Intercontinental Trust Limited has a specialised Relocation Team that can assist you in identifying the most appropriate route for your residence application in Mauritius. We will also help you in submitting the application with the Economic Development Board and thereafter, in making the big move to Mauritius. For a comprehensive list of our services, please write to us on relocation@intercontinentaltrust.com

For any additional information please contact us.

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