NEWSFLASH

Intercontinental Trust Ltd

Finance and Economy

Mauritius joins the league of High-Income Countries

In an official communique issued on 1 July 2020, the World Bank has recognized Mauritius as a High-Income country for the first time. Mauritius is now the second country in Africa, after the Seychelles, to join the league of high-income countries.

The classification is based on the Gross National Income (GNI) per capita for 2019 which has been calculated using the Atlas method but does not factor in the economic impact of the Covid 19. The Atlas method makes use of the Atlas conversion factor to reduce the impact of exchange rate fluctuations in the cross-country comparison of national incomes. The GNI of Mauritius for 2019 stood at USD 12,740 while the threshold of for high-income countries as of July 2020 is >USD 12,535.

The Covid 19 pandemic crisis has impacted the lives and livelihoods of people around the world and has dented the global economy. It is therefore possible that the recession emanating from the crisis will cause Mauritius to temporarily return to upper-middle income level in the next round of assessment. Nevertheless its current status of a high-income economy is a huge milestone for the country especially amidst difficult global conditions and the multiple challenges encountered in the past year.

Since its independence in 1968, Mauritius has successfully managed to diversify its economy – its transformation over the years has largely been driven by innovation and productivity growth through education and the up-skilling of its workforce. The GNI remains an important indicator of economic development for any country but consideration should also be given to how the income is being distributed among its population. Whilst striving to turn its ambition of becoming a high-income country into a reality, the government has also been implementing social measures such as the negative income tax and the minimum wage, to ensure a fairer distribution of income in the population. A marked progression is expected to have been achieved by Mauritius on the GINI Coefficient, an index used to measure social inequality, which stood at 36.8 in 2017 and is now predicted to be around 34 in 2020 by the World Bank.

To access the World Bank country classifications, please click Here

Global Business – News snippets from the industry

Mauritius and Zambia negotiates a new DTAA

A new double taxation avoidance agreement (DTAA) is being negotiated by Zambia and Mauritius following the decision taken by the government of the Republic of Zambia on 22 June 2020 to terminate the current DTAA signed with Mauritius. The new treaty will introduce shared taxing rights and anti-abuse clauses.

The current DTAA which became effective in June 2012 will cease to have effect on the 31 December 2020 in Zambia and 30 June 2021 in Mauritius.

DTAA, as its name suggests, is a key element in cross-border structuring as it aims at eliminating double tax on the same streams of income and provides more clarity on the various taxation aspects that need to be considered by international investors prior to any investment decisions.

It is also important to highlight that Mauritius is a signatory to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS) (hereunder referred to as the "MLI") since July 2017. The MLI is an instrument used for implementing some of the BEPS minimum standards, including clamping down on treaty shopping through the implementation of tax treaty-related measures in DTAAs.

The definitive instrument of ratification of the MLI was deposited on the 18 October 2019, where it was noted that Mauritius included most of the countries, including all the African countries, with which it has concluded a DTAA. It is however noted that Zambia is yet to sign the MLI.

While the DTAA remains an important consideration for investment structuring decisions, it will be recalled that other factors should also be considered in the choice of an investment platform.

By and large, Mauritius remains the preferred destination as an investment platform into Africa. The reasons for this include Mauritius' good ranking in the World Bank's ease of doing business index (it is ranked 1st in Africa), the established legal system and the availability of skilled professionals such as lawyers and accountants. Mauritius also has a favourable time zone and both English and French are fluently spoken and written by professionals. In addition, there is no exchange control in Mauritius, allowing for efficient and timely cross-border movement of funds. It is also important to note that Mauritius has signed Investment Promotion and Protection Agreements (IPPAs) with a number of African countries, including Zambia. This provides additional comfort to investors since this can significantly reduce investment risks in countries where there are risks of nationalisation or expropriation. Furthermore, the IPPAs provide free repatriation of investment capital and returns.

Clients having structures in Zambia and wishing to seek additional advice on how the termination of the current Mauritius-Zambia DTAA will impact on them may get in touch with their usual contact person at ITL or send us an email on info@intercontinentaltrust.com

Mauritius-Turkey – Negotiation of a DTAA

On 25 June 2020, discussions revolving around the implementation of a Double Taxation Avoidance Agreement (DTAA) were initiated by Mauritius and Turkey and it is hoped that the DTAA will be concluded at the earliest.

We will endeavor to keep our valued clients informed of the developments in this regards.

Entry into force of the Protocol amending the Mauritius- Botswana DTAA

It will be recalled that Mauritius had signed a Double Taxation Avoidance Agreement (DTAA) with Botswana on 26 September 1995 following which a protocol amending the DTAA was concluded in August 2015 (referred hereinafter as the "Protocol").

The Protocol has come into effect on 27 February 2020.

For more information about the Protocol, please get in touch with your usual contact person at ITL or send us an email on info@intercontinentaltrust.com

For any additional information please contact us.

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