

## **Statement by the Minister of Financial Services and Good Governance**

**(Sitting 16 April 2019)**

**Mr Deputy Speaker Sir,**

At adjournment time at the sitting of Tuesday 02 April, the Honourable First Member for Port Louis South and Port Louis Central raised a few of the problems currently faced by the Global Business Sector.

At the end of his intervention, I stated that not only are we aware of the issues but that we have studied the statistics, we have studied the different requirements and the other compliance issues raised.

I further undertook to come to the House with a statement to clarify the matters raised by the Honourable Member.

Mr Deputy Speaker Sir, having obtained your permission, I now propose to do so.

**Mr Deputy Speaker Sir,**

In regard to the taxing by India of 100% of capital gains realized by a Mauritius entity, a Mauritius fund whenever it disposes its shares in India, in fact, as per **Article 13** of the amended **DTAA** between India and Mauritius, it is clearly stipulated in its **Subsection 3A** that gains from the disposal of

shares acquired **prior to 1<sup>st</sup> April 2017** will be exempted of capital gains tax, **irrespective of the date of disposal.**

**Mr Deputy Speaker Sir,**

With regard to statistics published in India, the statistics which the Hon Member referred to in his statement are those published by the Department of Industrial Policy & Promotion (DIPP) of the Government of India (now known as the Department of Promotion of Industry and Internal Trade) which refers to a sum of USD 6.0Bn for the period starting 01 April 2018 to 31 December 2018 for Foreign Direct Investment (FDI) Equity only.

DIPP only captures FDI Equity flows. Additionally, our figures for FDI flows into India do not corroborate with that published by DIPP as we come to a figure of USD9.4Bn for the period referred to, which is significantly higher than the figure provided by the Indian authorities.

In fact, Mauritius is more widely used as a platform for Foreign Portfolio Investment (FPI). Generally, FPI is 3 times higher than FDI flows.

It is a fact that Mauritius has been a main route for FPI flows much more than FDI flows. According to our figures, FPI flows into India for the period 01 January 2018 to 31 December 2018 was approximately **USD 51.4Bn.**

**Mr Deputy Speaker Sir,**

Our figures show that the value of direct investments in India through Global Business companies has remained more or less stable at USD 117.6Bn as at June 2018.

The recent review carried out by the International Monetary Fund in the context of the Article IV consultation, has confirmed that activity in the global business sector has remained broadly resilient while reforms to the sector are underway. The IMF analysis clearly demonstrated that the growth in Mauritius will be driven by robust performance in the financial sector.

**Mr Deputy Speaker Sir,**

When comparing ourselves to Singapore, we must bear in mind that the financial sector in Singapore is **30 times bigger than Mauritius**. This is because, the financial centre in Singapore was established much before our own, almost four decades ago. Despite the significant size of the financial sector in Singapore and the sophistication of its products, Mauritius, however, remains the second largest provider of investment into India, after Singapore.

Over the years, Mauritius has contributed significantly in respect of investment flows to India. Since April 2000 up to December 2018, the Mauritius IFC has contributed around **32%** of the total Foreign Direct Investment (FDI) Equity inflows into India. My Ministry is well aware of the strategic importance of the Indian market for the future growth of our international financial centre and we are working hard to be in the leading position.

**Mr Deputy Speaker Sir,**

In regard to the question of the image problem faced by Mauritius, Government has brought wide ranging reforms across the sector to resolutely pursue our ambition of becoming a world class international financial centre of repute. Our financial services sector will only grow if we are able to maintain our reputation and credibility at international level.

It is in this context, therefore, we embarked on two major reform processes to address the issues of BEPS and AML-CFT. These reforms ought to have been done longtime before.

The Deemed Foreign Tax Credit which was initially applicable only to offshore companies was removed and the Partial Exemption regime has been introduced. I am pleased to say that this new fiscal regime was

presented to the OECD in September 2018 and was subsequently deemed as non-harmful in December 2018.

Furthermore, in 2018, following the adverse Mutual Evaluation Report issued by Eastern and Southern Africa Anti Money Laundering Group (ESAAMLG), my Ministry had to catch up on the work which should have been started or been completed some 10 years ago as regards to measures on AML-CFT and all the initiatives undertaken for re-rating of the ESAAMLG Mutual Evaluation Report. As part of our initiatives to ensure that Mauritius is a clean jurisdiction, a National Committee for the Monitoring of AML/CFT issues has also been established. As I have mentioned in my earlier statement, Mauritius has been re-rated as compliant and largely compliant in most areas where we have requested for a re-rating exercise.

These acknowledgements have further enhanced the image and reputation of the Mauritius IFC.

**Mr Deputy Speaker Sir,**

The European Union is a significant global trade block and a major partner of Mauritius. As a small country, very often, we cannot influence international market policies and have to align ourselves to those of our trading partners. In this same wavelength, Government has agreed to make a few additional refinements to the Partial Exemption System following

observations made by the Code of Conduct Group (COCG) of the European Union. We are confident that once these refinements are made, Mauritius will restore its reputation as a compliant jurisdiction for the EU.

**Mr Deputy Speaker Sir,**

We are leaving no stone unturned to build and protect our brand image.

It is worth mentioning that since June 2018, Mauritius has well performed on several global indices. Our performance regionally and globally is a testimony that the Mauritius IFC has been successful in building its brand.

Mauritius was ranked:

- 1<sup>st</sup> in Africa and 20<sup>th</sup> globally and in the Ease of Doing Business Index;
- 1<sup>st</sup> in Sub-Saharan countries and 49<sup>th</sup> globally in the Global Competitiveness Index;
- 1<sup>st</sup> in Africa and 39<sup>th</sup> globally for Best Country for Business by Forbes;
- 1<sup>st</sup> in Africa for Mo Ibrahim Index of African Governance;
- 1<sup>st</sup> in Africa and 8<sup>th</sup> for the Economic Freedom of the World;
- 1<sup>st</sup> in African Transformation Index; and recently the rating given by Moody's.

I would now wish to mention a few projects which have been implemented recently by my Ministry for the development of the financial services sector:

1. My Ministry has commended the need to devise a vision plan for the financial services sector and in this context, the Blueprint Report was prepared by McKinsey and successfully launched in 2018. The objective of the Report is to envision the financial sector for the next 10 years.
2. With a view to implementing the recommendations contained in the Blueprint, a Delivery Unit has already been set up. The Government is putting adequate financial and other resources to drive future growth and development of our financial services sector.
3. With a view to improving the image and reputation of the Mauritius IFC, we have enlisted the services of a Public Relation Firm, namely Burson Cohne and Wolfe.
4. FSC has also embarked on a vast program to improve overall capacity and services at all levels. It is in this context that it has recently launched a red carpet service available to known customers to fast track their application.
5. Mauritius wants to build a competitive edge in the field of fintech and blockchain, which add on new products and services to our

international financial centre. In this context, the Government has set up a Fintech Committee to develop this sector and come up with the necessary legal framework.

**Mr Deputy Speaker Sir,**

After the establishment of the regional IMF (AFRITAC) Training Centre in Mauritius, I am also delighted to announce that last month, in March 2019, the OECD has set up its Regional Centre of Excellence in Mauritius. The fact that OECD has chosen Mauritius for their regional office is a testimony of trust and will surely enhance our international credibility as a Financial Centre.

**Mr Deputy Speaker Sir,**

Visibility is good but, without credibility, visibility alone cannot yield productivity. Trust and confidence is of extreme importance. This is the reason why Government has brought vast reforms to build trust and confidence in the Mauritius IFC.

**Mr Deputy Speaker Sir,**

We have a relatively large Global Business Sector with aggregated assets valued at **USD 686Bn** which is approximately **50 times** the size of our GDP. Contribution of the Global Business sector to the GDP of Mauritius is estimated at **5.7% in 2018/2019** and has produced a year-on-year growth of **4.0%**.

Mauritius has always had a primary role in channeling capital and foreign direct investment to major economies during the past 25 years. Over ten of thousands of investors have chosen the Mauritius IFC to conduct their business. Over the years, we have built up a strong reputation as an International Financial Centre.

Not later than last week, I received a delegation from the Afrexim Bank which has decided to set up their headquarters for the Fund for Export Development in Africa [FEDA], in Mauritius. The CEO stated that they have chosen Mauritius because it is a fast growing country and that the financial centre present immense opportunity for development.

Despite some headwinds, our IFC is building on hard rocks. Our financial services sector is here to stay for a long long time and has glorious days ahead.

**I thank you, Mr Deputy Speaker Sir.**

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