Mr Porus Kaka, President IFA Worldwide,
Mr Rajesh Ramloll, President IFA Mauritius,
Mr Pascal St Amans, Director, OECD,
Prof. Jeffrey Owens, Director, Global Tax Policy Centre, Vienna
Prof. Roy Rohatgi, Director, FIT (India)

Distinguished Participants,

Ladies and Gentlemen,

Good afternoon to you all.

1. It is my pleasure to be in your midst today for the 11th Asia/Africa IFA Mauritius Conference and to address you a few words on this special occasion.

2. Let me first thank IFA Mauritius for hosting this highly technical conference. The topics chosen:

   (i) Tax Administration and its challenges in the 21st century,
(ii) Tax structuring in a post – BEPS era, could not have been more appropriate and opportune at this point in time. We are privileged to have the participation of world renowned tax experts from overseas to share their learned views and experience with our people.

3. Ladies and Gentlemen, as you know, globalisation with its free mobility of capital, coupled with technological advancement has brought about unprecedented changes in the field of international taxation. In turn, the world has undergone an economic downturn attributable largely to tax evasion and avoidance causing a severe “manque à gagner” for public finance. Tax evasion and avoidance has become an international phenomenon. Such a global issue can only be tackled through international cooperation.

4. In this fast changing tax environment, reform in tax administration has become a topic of its own and stands high in the agenda of Tax Authorities. The fight against tax evasion and
avoidance is now more than ever the concern of all tax jurisdictions.

In this context, the initiatives taken by the OECD under the guidance of G20 to launch various projects aimed at creating a transparent tax world with substance at the forefront are laudable. I have in mind the creation by the OECD of the Global Forum on Transparency and Exchange of Information to ensure that jurisdictions are engaged in effective exchange of tax information. The peer review mechanism put in place by the Global Forum for the monitoring of implementation of exchange of information to the international standard has brought about level playing field for information exchange.

5. BEPS is another OECD project to combat tax evasion and avoidance in all its form. The objective is to ensure the right amount of tax is paid by the right person at the right place where value is created. The BEPS package is all about modernising
international tax rules to keep pace with the changes taking place in business models in this digital era.

6. With regard to exchange of information, Mauritius has put in place a sound and proper framework to ensure effective exchange of tax information to the international standard with its treaty partners. In fact, Mauritius was one of the first jurisdictions to undergo in 2010 a combined Phase 1 and 2 peer review on transparency and exchange of information. Mauritius has scored an overall rating of “largely compliant”, similar to the score made by countries such as UK, US, Singapore, Netherlands. The second round of peer review was carried out last year – again Mauritius is one of the first jurisdictions to undergo the second round of review on transparency and information exchange. The final report is expected by the end of September this year. We hope to achieve at least the same rating of “largely compliant”.
7. In addition to exchanging information on request, Mauritius is also engaged in automatic information exchange. Mauritius is the first African country to have signed a Tax Information Exchange Agreement and an Inter-Governmental Agreement with the US for automatic exchange of information under the US FATCA. The first exchange with the US Tax Authorities started last year. Furthermore, Mauritius has committed to engage in automatic exchange under the OECD Common Reporting Standard (CRS) as an early adopter as from next year. To that effect, Mauritius has adhered to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters developed by the OECD and has signed the Multilateral Competent Authority Agreement. Moreover, Mauritius is supporting the recent initiative taken by UK, France, Germany, Italy and Spain to extend automatic exchange to beneficial ownership information to combat not only tax evasion but also other illicit finance including terrorist financing and money laundering.
8. Coming to BEPS, Mauritius stands firmly committed to implementing the BEPS package. Mauritius has actively participated in the Ad-Hoc Group set up by the OECD to work on the drafting of the Multilateral Instrument under BEPS Action 15. Mauritius has also joined the Inclusive Framework to implement the BEPS recommendations.

In fact, work on BEPS has already started with a review of our tax system by the OECD to identify any element of harmful tax practices. We undertake to take remedial action as needed.

We have also entered into a similar dialogue with the EU.

9. Transfer pricing which is one of the means for multinationals to erode the tax base of the jurisdiction where wealth is created and to shift the profits to no or low tax jurisdictions is widely covered under the BEPS package. To deal effectively with issues related to transfer pricing, we need proper legislation as well as a strongly equipped technical staff for enforcement. Another very important element is the availability of information in so far
as cross border transactions are concerned. In this respect, Mauritius stands ready to exchange tax information with its treaty partners. The provisions in all the 43 DTAs and 9 Tax information Exchange Agreements in force and relating to exchange of foreseeably relevant information are to the international standard.

Furthermore, under the Mauritius Income Tax Act, any person can apply to the Mauritius Revenue Authority (MRA) for advance rulings on tax issues including the profit margins acceptable to the MRA. The rulings are then published to ensure transparency and consistency in application.

10. As Minister responsible for good governance, I am delighted to note that the concept of good governance applies equally to tax matters. In this context initiatives taken at international level to promote good governance in tax matters are most welcome. Mauritius is committed to implementing internationally recognised standards of good governance. To promote a culture
of good governance and integrity we have introduced the Good Governance and Integrity Act 2015. Under the Act an Integrity Reporting Services Agency is established to deal with the unexplained wealth of any citizen of Mauritius. Where a person is not able to explain the source of funds, his unexplained wealth may be confiscated and realised.

11. The Financial Services Sector, an important pillar of the Mauritian economy, contributes 12.1% to the GDP and is growing at a rate of 5.7%. The sector has created more than 15000 jobs. The tax yield from companies operating in the global business sector represents around 40% of total corporate tax the MRA collects.

Government aims at positioning Mauritius as an International Financial Centre of excellence and repute with a robust regulatory framework to play an economically integrated role within our regional economic blocks and beyond.
The launch of the Mauritius International Financial Centre (Mauritius IFC) aims at branding Mauritius as a jurisdiction of choice where transparency, good governance and adherence to internationally agreed standards and best practices are the order of the day.

There is no doubt that implementing the agreed international standards for sound tax administration and those connected with BEPS will contribute immensely to achieve the objective set for the Financial Services Sector in Mauritius.

12. Ladies and Gentlemen, capacity building in this rapidly changing business environment is a prerequisite for success. Our Financial Services Sector is at crossroads. We cannot do business as usual. There is pressing need to adapt.

At the helm of the Ministry of Financial Services, Good Governance and Institutional Reforms, my goal is to create a new breed of business leaders and professionals with a new culture and mindset that would enable them to compete on the
international front. These professionals should have a solid foundation in business, management and ethics.

Against this backdrop, the Financial Services Institute (FSI) has been set up with the primary aim of upskilling professionals and assisting the sector in gaining enhanced international visibility and reputation in the global financial services market. The FSI programmes are being tailored taking into consideration those influence factors charting the course of the global economy. Perspectives and views of operators and industry associations are being sought to ensure that training is relevant and geared towards future requirements. Taxation stands high in the training program.

Graduate Employability Programmes are being conducted for young unemployed graduates and HSC holders who, owing to a lack of employability skill and on-the-job experience as well as a qualification mismatch are currently unable to secure appropriate employment in the Financial Services Sector. The
objectives are also to create a pool of homegrown young industry professionals who will bring new ideas and approaches to help position Mauritius as a Centre of Excellence for the Financial Services Sector. I must add that I have received positive feedback on the Employability Programme and I understand that course participants are now better prepared to join the world of work and they are finding it easier to secure jobs in the sector.

In the field of tax administration too, training must be a continuous process. Tax auditors need to be updated and exposed to the sophisticated strategies being used by tax evaders to defraud Revenue and to the tax challenges inherent in the various innovative financial products coming on the market. We should keep our tax people ahead of tax dodgers to be able to counteract their illicit dealings.

13. I wish to seize this opportunity to say a few words on the amendments recently brought to the Mauritius-India tax treaty. At the request of the Government of India the provisions on
capital gains have been amended to grant taxing right on gains derived from sale of shares to the source country. However, we have managed to have grandfathering provisions to ensure that capital gains from the alienation of shares acquired prior to 1st April 2017 continue to be exempt in the source country.

Secondly, the tax rate of 7.5% for the taxation of interest income in the source country is the lowest that India has offered to its treaty partners.

We understand that India is renegotiating all its existing treaties to provide for source base taxation in respect of capital gains from sale of shares, thereby creating a level playing field.

14. The Mauritius-India treaty still has attractive features. We should take full advantage of the grandfathering provisions and of the low withholding rate on interest income by investing in debt capital.

15. The opportunities existing in the emerging African markets offer a window for investment in Africa. To attract investors for
onward investment to Africa and other regions, we need to capitalise on non-tax factors such as our political, social and economic stability, our sound legal and regulatory framework, our pool of professionals as well as our state-of-the-art infrastructure. Mauritius is the ideal platform for quality banking and non-banking services through its modern and innovative legal framework and ease of doing business regime. Mauritius offers investors a diverse product base through different structures such as limited companies, protected cell companies, limited partnerships, trusts and foundations. To further improve ease of doing business, the Government has voted a Business (Facilitation) Bill. We should also emphasise on treaty benefits available from the 16 DTAs and 9 IPPAs, (Investment Promotion and Protection Agreements) in force with African countries. DTAs with 9 other African jurisdictions have been finalised but are awaiting ratification before they enter into force.
16. I note with interest that there will be panel discussions on the challenges in structuring inbound and outbound investment to and from India and tax structuring and investment challenges in Africa. I will be eager to know about the outcome of those important discussions and I would kindly request Mr. Rajesh Ramloll, the IFA Mauritius President to share with me the outcomes of this conference.

17. Talking of structuring, it is time for our Financial Services Sector operators to revisit their structures. There is need to ensure substance and that effective management is being exercised in Mauritius. It is important to pass the test of “resident” as provided in tax treaties to be able to claim treaty benefits and not to fall in the trap of treaty shopping or of the Indian GAAR.

18. Widespread, consistent and effective implementation of the various initiatives taken at international level, including the BEPS package, is critical for a fair and modern international tax system and to ensure a level playing field. Mauritius has shown its firm
commitment and will continue to collaborate for the achievement of the overall goal. The objective is to ensure that tax evaders find no place to hide their illicit, ill-gotten and undeclared wealth.

19. Ladies and Gentlemen, I wish you all fruitful deliberations and Bon Courage.

20. I thank you for your kind attention.