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# **VALUE PROPOSAL**

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## **Investment opportunities in the Mauritius Freeport**

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**Board of Investment  
June 2016**

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## 1.0 Introduction

Mauritius is a small island, which has over the decades, with sheer dedication, traced out its route to become one of the most successful economies in Africa and has forged a reputation on the global list of high flyers. The small island state is committed to economic development, and more specifically, to position its competitive value proposition in logistics and distribution due to its Indian Ocean location and as a Geo-strategic gateway between Asia & Africa, expanding its reach to Europe, Australia and America. As a member of SADC and COMESA, Mauritius is connected to a market of over 600 million people representing an import potential in excess of USD 100 billion.

Mauritius currently has 19 Double Taxation Avoidance Agreements (DTAAs) with African nations and also offers full protection of foreign investments in 21 African nations through its network of Investment Promotion and Protection Agreements (IPPs). The list of countries is available on the link <http://www.investmauritius.com/Resources3.aspx>

## 2.0 Mauritius Freeport

The Mauritius Freeport is the ideal competitive regional logistics, marketing hub and value-addition platform for your distribution to the African Countries.

Today, the Mauritius Freeport contributes to about 0.5% to our GDP. The built-up space has also increased from 5,000m<sup>2</sup> in 1993 to 295,000m<sup>2</sup> in 2015. This sector has so far attracted close to MUR 7 billion of investments with a number of projects under implementation within the seaport and airport zones. With the continued development of Freeport projects, an increase in the trade performance of the Freeport was observed in terms of value and volume from MUR 47 billion and 579,000 tons in 2014 to MUR 61 billion and 562,000 tons in 2015. This increase in both volume and value is directly linked to mobile phones, seafood and fish products, general goods, among others.

With a view to further develop this sector other initiatives are presently being undertaken by the Mauritius Port Authority with the (i) extension of the existing dock of 560 m to 800 m, (ii) increase in the depth of the channel to 16.5 m to enable ships that berth more than 350 m long and having a capacity of 9000 – 10000 TEUS, (iii) accommodating ‘large container ships’ by 2017 and (iv) acquisition of two additional cranes to transfer containers.

## 3.0 Business Case Model

Our vision is to position Mauritius as the ‘HUB’ in Southern and Eastern Africa for the following reasons:

- *Neutral independence, open economy and strong political stability;*
- *Flexible, bilingual (French and English speaking population) and customer focus workforce;*
- *1st in Africa for the ease of doing business (World Bank);*
- *Low tax platform and competitive costs compared to Europe and South Africa;*
- *Mauritius has an outstanding telecom infrastructure and the data communication network is the second largest of its kind in Africa;*
- *A web of sea links and direct air connections with different parts of Asia namely Malaysia, Singapore and India & other major cities around Europe and Southern and Eastern African countries;*

#### 4.0 Freeport Activities

Investment opportunities exist in a wide range of authorised export-oriented Freeport activities to Freeport operators. Companies operating in the Mauritius Freeport can carry out the following:

- Warehousing and storage
- Breaking bulk, sorting, grading, cleaning and mixing
- Labeling, packing, re- packing and repackaging
- Minor processing and light assembly
- Ship building, repairs and maintenance of ships and aircrafts
- Storage, maintenance and repairs of empty containers
- Export-oriented seaport and airport based activities
- Freight forwarding services
- Quality control and inspection services
- Any manufacturing activity, provided that –
  - (a) *the enterprise exports its manufactured goods to the extent of at least 95 per cent of its annual turnover, of which at least 80 per cent shall be exported to Africa; and*
  - (b) *the remaining percentage may, upon approval by the Board of Investment, be put on the local market.*
- Vault services in respect of gold, silver, platinum, precious and semi -precious stones, precious metals, pearls, works of art and collectors’ pieces and antiques;
- Security, courier or assaying services, where relevant wholly and exclusively for Vault services.
- Global trading, provided that the private freeport developer or freeport operator operates one or more activities referred to in item 3 sub-items (a) to (k) of the second schedule of the Freeport Act.

#### 5.0 Freeport Incentives

The Freeport legislation provides for a liberal and comprehensive package of incentives for companies looking for a cost-effective logistics platform as mentioned below:

- Duty-Free and VAT free for goods and equipment imported into Freeport zones
- 0% corporate tax indefinite
- Preferential market access
- 100% foreign ownership
- Free repatriation of profits
- No foreign exchange control
- Reduced port handling charges
- 50 % of re-export value can be sold to the local market (*subject to all taxes applicable*)
- Access to offshore banking facilities

## 6.0 Indicative Logistics costs

The cost of warehousing facilities averages to USD 0.5 per sq. ft per month. Operators with low volume are charged at an average price of USD 0.4 per pallet position per day.

### *Logistics Infrastructure in the Freeport Zone through Logistics Providers;*

A Third-party Freeport Developer is a Freeport licensee who builds, develops and manages warehouses and logistics facilities in a Freeport zone to be rented to Freeport operators. There are presently five main third-party Freeport Developers shown in the table below;

Freeport Developer	Contact	Website
BPML Freeport Services Ltd (Zone 6), Zone 9 at the airport	(00230) 206 2739 Mr Hans Mungtah Email: <a href="mailto:info@bfslmauritius.com">info@bfslmauritius.com</a>	<a href="http://www.bfslmauritius.com">www.bfslmauritius.com</a>
Freeport Operations (Mauritius) Ltd (Zone 7)	(00230) 206 1000 Mr Andre de Comarmond Email: <a href="mailto:Andre.DeComarmond@rogers-logistics.com">Andre.DeComarmond@rogers-logistics.com</a>	<a href="http://www.velogic-mu.com">http://www.velogic-mu.com</a>
Mauritius Freeport Development Ltd (Zone 5)	(00230) 206 2000 Mr Hans Herchenroder Email: <a href="mailto:hans.herchenroder@mfd.mu">hans.herchenroder@mfd.mu</a>	<a href="http://www.mfd.mu">www.mfd.mu</a>
Froid des Mascareignes (Zone 8)	(00230) 206 6900 Captain Maurice Rault Email: <a href="mailto:MRault@fdm.mu">MRault@fdm.mu</a>	<a href="http://www.seafoodhub.com/en/fdm">www.seafoodhub.com/en/fdm</a>
Mauri-China Freezone Development Ltd	(00 230) 249 2600 Mr Gino Severe Mobile: (00 230) 257 5901 Email: <a href="mailto:gino@australtransit.com">gino@australtransit.com</a>	<a href="http://www.mauri-china.com">www.mauri-china.com</a>
Trade Park Mon Tresor Ltd <i>(newly created Free zone at the airport; NO warehousing facilities available as yet but you can always liaise with the contact person and see their plans)</i>	(00 230) 212 3251 Ms Emilie Oliver Email : <a href="mailto:eoliver@omnicane.com">eoliver@omnicane.com</a>	<a href="http://www.omnicane.com">www.omnicane.com</a>

### **Other Cost of doing business:**

The below tariffs are applicable for Freeport zones in the Freeport area only.

**a. Main Starting Costs:**

Incorporation of Company	
Registration of Company	USD 90*
License Fee for a Freeport Certificate	
Freeport Developers (Third party and Private)	USD 5560*
Freeport Operators (Who use existing space rented by Freeport Developers)	USD 560*

1USD = MUR 36

(\*Current fee applicable subject to changes)

**b. An indicative figure on labour costs:**

Post	Monthly Salary (USD)
Manager	700 - 1300
Engineers	700 - 1000
Technician	250 - 500
Supervisor	300 – 500
Unskilled worker	150 - 200

**c. An indicative rental costs in the Freeport\*:**

Facilities	Rental Costs (USD - negotiable)
Warehousing	Negotiable with Freeport developers
Cost of Processing Unit / Industrial zone	Negotiable with Freeport developers
Cost of office facilities	Negotiable with Freeport developers

**d. Utility Costs:**

Water consumption – tariff 31 Industrial	
First 100 cubic metres	USD 0.33 / m <sup>3</sup>
Next 150 cubic metres	USD 0.39 / m <sup>3</sup>
All additional cubic metres	USD 0.53 / m <sup>3</sup>
Minimum charges per month	USD 8.22
Electricity consumption – Freeport tariff	
* Tariff 340 High and Low Voltage	USD 0.13 (day) USD 0.10 (night)

(Please note that the cost varies from activity to activity)

**Shipping Rates and lead-times**

The following are **indicative** shipping rates and lead-time for the below sea routes.

Port of loading	Port of destination	20' Container (Cost in USD)	40' Container (Cost in USD)	Sailing Time
Port Louis, Mauritius	Durban , SA (Direct)	395	825	4 - 5 Days
Port Louis, Mauritius	Cape Town, SA (Transshipment Port: Port Elizabeth)	400	825	20 Days
Port Louis, Mauritius	East London, (EC), SA (Transshipment Port: Port Elizabeth)	915	1825	15 Days
Port Louis, Mauritius	Port Elizabeth, (EC), SA (Direct)	395	825	11 Days
Port Louis, Mauritius	Mombasa, Kenya (Transshipment Port: Salalah Port)	625	1250	24 Days
Port Louis, Mauritius	Toamasina, Madagascar (Direct)	360	720	3 Days
Port Louis, Mauritius	Beira, Mozambique (Transshipment Port: Toamasina, Madagascar)	650	1325	18 Days
Port Louis, Mauritius	Dar es Salaam, Tanzania (Transshipment Port: Salalah Port)	940	1875	26 Days
Port Louis, Mauritius	Walvis Bay, Namibia (Transshipment Port: Durban, SA)	1795	3090	21 Days

**The following indicative port charges are applicable per container:**

Container Service Charge: USD 110  
 Port additional import charges: USD 50  
 Manifest/Declaration: USD 10  
 Liner out charge: USD 45  
 Bill of lading: USD 75

The lead times and rate are indicative and may slightly vary from the shipping lines.

The Government has also made provisions to provide a subsidy of 25 per cent of the freight cost on containers which would apply to 44 ports in Africa. *This will be up to a maximum of US 300 dollars per container.* Please refer to <http://sourcemauritius.com/mauritius/em-schemes/freight-scheme-2014/>

## 7.0 Preferential access to markets

Mauritius benefits from trade agreements such as the Cotonou Agreement, the Generalised System of Preferences (GSP) and the Africa Growth & Opportunity Act (AGOA), which provide preferential access for goods of Mauritian origin to the European Union and the United States, respectively. The membership of Mauritius to the Common Market for Eastern and Southern Africa (COMESA), and the Southern African Development Community (SADC) regional blocs allows preferential access to goods that satisfy the origin criteria, to a regional market of some 600 million consumers representing an import potential in excess of US\$ 100 billion.

### Common Market for Eastern and Southern Africa (COMESA)

The following 19 countries of Eastern and Southern Africa and the Indian Ocean Islands are members of the COMESA regional bloc:

COMESA MEMBERS	
Burundi	Malawi
Comoros	Mauritius
Dem. Rep. of Congo	Rwanda
Djibouti	Seychelles
Egypt	Sudan
Eritrea	Swaziland
Ethiopia	Uganda
Kenya	Zambia
Libya	Zimbabwe
Madagascar	

Goods processed in the Mauritius Freeport can, subject to satisfying the rules of origin as per the COMESA Trade Protocol, qualify for zero or reduced rate of duties in the COMESA member countries. 11 countries, namely, Burundi, Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Zambia and Zimbabwe, are members of the COMESA Free Trade Area and apply zero tariffs on inter-member trade.

### Southern African Development Community (SADC)

The Southern African Development Community (SADC) consists of 15 members, as depicted in the table below:

SADC MEMBERS	
Angola	Namibia
Botswana	Seychelles
Dem.Rep.of Congo	South Africa

Lesotho	Swaziland
Malawi	Tanzania
Mauritius	Zambia
Mozambique	Zimbabwe
Madagascar	

Please take note that as from 1 January 2014, all products imported from countries of the Southern African Development Community (SADC) are now duty-free. The implementation of the SADC Trade Protocol started in the year 2000 and provided for the gradual elimination of all customs duties among SADC countries with a longer tariff phase-down period for sensitive products.

### **The United States of America - The AGOA**

Mauritius is also a party to AGOA (African Growth and Opportunities Act) which builds on the existing Generalised System of Preferences (GSP) scheme and offers duty-free and quota-free market access to the United States. The AGOA/GSP program stands at approximately 7,000 product tariff lines, including the roughly 1,800 product tariff lines that were added to the GSP by the AGOA legislation. These include items such as apparel and footwear, wine, certain motor vehicle components, a variety of agricultural products, chemicals, steel and others. In order to qualify for duty-free access to the US under GSP, the Rules of Origins needs to be met. Please refer to <http://agoa.info/> for detailed information.

### **The European Union - Interim Economic Partnership Agreement (EPA)**

The European Union (EU) has granted preferential market access to the African, Caribbean and Pacific (ACP) States since 1964 under the successive Lomé Conventions and the Cotonou Agreement. Under these trade agreements, the ACP countries have benefited from duty-free access on the EU market on almost all products. An interim EPA was signed in Mauritius on 29 August 2009 between the European Commission and four Eastern and Southern African (ESA) countries namely; Mauritius, Madagascar, Seychelles and Zimbabwe. The negotiations on outstanding issues are still ongoing and the Interim EPA will then be replaced by a full Economic Partnership Agreement.

## 8.0 Licensing Procedures

The investor will have to incorporate or register a local entity with the Registrar of Business. Application forms may be accessed on the following website:

<http://www.gov.mu/porta/site/compdivsite>

### **Formalities to obtain a Freeport Certificate;**

To operate and conduct business activities in the Mauritius Freeport, you must apply for a Freeport certificate through the Freeport Licensing system on [www.eregulations.mu](http://www.eregulations.mu). The processing fee is USD 560 (by Cheque) renewable annually and should be drawn by order of the Board of Investment.

### **Occupation permit**

The country has an open policy to attract talents and capital and three categories of persons are allowed to work and live in Mauritius namely:

- An investor;
- A Self-employed; or
- A Professional.

The above three categories of persons can apply for an occupation permit which allows a non-national to work in Mauritius. It is both a work and a residence permit which is delivered for three years. A complete application is made through the Board of Investment to the Passport and Immigration Office.

### ***Investor***

An investor is defined as a shareholder and director in a company incorporated in Mauritius under the Companies Act.

An initial investment of USD100,000 or its equivalent in freely convertible foreign currency is required and the business activity should generate a turnover exceeding MUR 4 million annually.

A company may have more than one investor. However, in the case of more than one investor in the same company applying for an Occupation Permit, the initial investment and annual turnover will be a multiple of the number of Investors in the company (i.e. USD 100,000 each & MUR 8 million for the two applicants, USD 100,000 each & MUR 12 million for three applicants, and so on).

A bank cheque of MUR 20,000 drawn to the order of the Government of Mauritius for processing fee are required. Personal/company cheques are not acceptable.

### ***Professional***

A Professional as defined under the Immigration Act is an expatriate employed by a company incorporated in Mauritius to deliver professional services. A Professional should earn a monthly basic salary exceeding MUR 60,000. However, the monthly basic salary for Professionals in the ICT Sector should exceed MUR 30, 000.

An Occupation permit fee for a professional is as follows:

- MUR 6,000 if the period applied for is between 3 months and 9 months (short term permit);
- MUR 10,000 if the period applied for is between 10 months and 2 years;
- MUR 15,000 if the period applied for is above 2 years to up to 3 years.
- The Occupation Permit fee is payable by Bank draft/cheque to the order of the Government of Mauritius. Personal/company cheques are not acceptable.

### ***Importation of labour***

In the case of skilled workers with a monthly salary ***much below*** MUR 60,000, the employer will have to contact the Ministry of Labour to submit an application for work and residence permit.

You will find as attachment details about procedures for the work and residence permit. Same can be obtained from the link below:

<http://empment.labour.gov.mu/English/Pages/default.aspx>

### **Company Formation**

An investor should incorporate a domestic company or can register a foreign company. 100% ownership is allowed that is a non-citizen can hold 100% shares in a company.

However, any company registered in Mauritius should have a resident director. You may wish to consult the website <http://industry.gov.mu/compdiv> for more information.

*This is submitted for information*