India-Mauritius Trade

Commitment towards prosperity has been the base for India Mauritius bilateral relations. Both the countries are inter related to each other not only due to their common colonial past but also because of the Indian origins of the most of the present population.

Mauritius has been the single largest source of FDI into India apart from it being the largest trading partner with a positive trade factor to India. These relations will catapult to new highs in context to the recently announced tax sops and schemes which will improve FDI surge from India to Mauritius further strengthening the bilateral relations. The quality of proposed benefits to International players in Mauritius will substantially add to revenues of the Indian investors in a big way.

The Mauritius route has been the main highway for FDI and FII travelling to India. Cumulative FDI equity inflows from Mauritius to India during the period April 2000-March 2015 amounted to US$ 87.55 billion (35 per cent of total FDI inflows over this period), largely due to the Double Taxation Avoidance Convention. Mauritius was the single largest source of FDI into India during the financial year 2014-15, with FDI equity inflows amounting to US$ 9.03 billion –about 29 per cent of total inflows in 2014-15.

The presence of many Mauritius based financial services holdings in India play a major role in this sector. The recent escalation in this bilateral relation has been the Double tax Avoidance Treaty. According to this treaty, India shall now tax capital gains arising from alienation of shares by a Mauritius investor acquired on or after April 1, 2017 in a company resident in India, whereas share investments before April 1, 2017 shall be grandfathered and shall not be subject to the amended regime. Though the general sentiment amongst businessmen and economic observers, local and international was ,"Things could have been done differently " it was still welcomed by them as it would lead to corrections and embolden the financial markets both in India and Mauritius.

Also as per Protocol DTAA between India and Mauritius provides for a window between 2017 and 2019 for a concessional tax rate of 50 per cent of the applicable tax rate. Similar treatment does not apply for any benefit available under the Singapore DTAA. Further, capital gains from transfer of movable property other than shares (and ships and aircrafts) by a resident of Mauritius would be taxable only in Mauritius, while such transfer by a resident of Singapore would be taxable in India too. The Limitation of Benefit clause in the DTAA with Mauritius is less stringent than the DTAA with Singapore.

The next step in strengthening the bilateral relationship is the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) with India, as well as a Preferential Trade Agreement. However, a caution has been advised on these negotiations in order to make sure the agreements encompass a variety of things and go beyond just a few select products such as textiles and rum. As said earlier, India is Mauritius' largest trading partner and has been the largest exporter of goods and services to Mauritius since 2007. In FY 2014-2015, India exported goods worth US$ 1.9 billion to Mauritius and imported goods worth US$ 21.19 million from Mauritius. India's exports to Mauritius comprise largely petroleum products. Besides petroleum products, main items of India's exports to Mauritius are pharmaceuticals, cereals, cotton, electrical machinery, apparel and clothing accessories. Main items of Mauritius' exports to India are iron and steel, pearls, precious/semi-precious stones and optical, photographic and precision instruments.

Scope for Intensive cooperation between both the nations has recently intensified with the broadened scope for cooperation announced during the budget speech of 2016.Tax holidays for global corporations establishing themselves in Mauritius in the financial services, SME and film development were the main highlights.

Mauritius is very keen to develop its film industry and there is no better partner for it other than India. India has a sprawling film industry and as of data available until 2014. Bollywood's (not including Television) 250 Censor approved films generated a gross revenue of approximately, 600 Million equivalent of USD, in revenue. The exports of these movies contributed to over 57% of that USD 600 Million.Further this industry (including Bollywood) is expected to grow 17% y-o-y in USD terms and Bollywood alone is expected to bring in close USD 2

Billion in revenue by end of this decade i.e Year 2020. The Indian Film & Entertainment Industry contributes a meager 0.5% of India's total GDP. As per permanent/fixed employment data available estimated figures about Bollywood alone from Bollywood's 3 largest Production & Distribution Houses (YahRaj, UTV, EROS), which is close to 68,000 personnel employed on full-time or on temporary basis. Mauritius plans to further bring down the employment rate and rate of people living below poverty line . Cooperation with India will not only boost this nascent industry in Mauritius but also will help promote the tourism services sector further as films help promote regions in their content.

Mauritius plans to boost its SME sector as they are on verge of facing the challenges of Brexit, especially in the textile sector. It needs to improve this sector on basis of repositioning and its branding. A major Air Freight Rebate Scheme which will entail a 40 percent reduction from the national carrier of the air freight cost to Europe has been proposed. The scheme will be underwritten by Government over a two-year period .This would result in significant reduction in cost and thus will be a major game changer to give a new impetus to this industry. Indian textile sector in collaboration with the Mauritian textile sector will improve economies of scope and scale by leveraging on the cotton produce from India and setting up of joint manufacturing units in India and Mauritius with the view of already existing import demand from Mauritius from the European sector.

The second sector which Mauritius envisages to develop is the gold business sector which India already has enough capabilities in terms of designs and workmanship. This will encompass a wide spectrum of high value-added activities, ranging from refinery of gold, producing gold bars, setting up top end jewellery processing units, vault facilities and to trading of gold and bullions on the new commodity exchange. The exchange ia also supposed to facilitate trade in diamond and other precious metals.

In the automotive sector, an Indian Delegation has already visited Mauritius and has expressed an interest in setting up several manufacturing projects in Mauritius, one of which is the production of bicycles and motorcycles. This project aims mainly at exports to the African market and has the potential for creating a significant number of jobs.

Mauritius further plans to encourage the pharmaceutical sector in order to export to the African markets and for local consumption. India already is a leading pharmaceutical exporter working in collaboration on the African soil will help India to reduce cost of its exports to these markets and thus increase trade revenue. A Pharmaceutical Village has already been set up at Rose Belle to cater for this development.

The Mauritian government has already taken steps to embolden its SME and financial services sector through various tax sops and supportive schemes which are mentioned below.

The 8-year tax holiday in respect of business income is being extended to new enterprises set up by individuals or co-operative societies qualifying under the scheme and registered with SMEDA. Existing enterprises registered with SMEDA with a turnover of less than Rs 10 million and engaged in qualifying activities under the same scheme will be given a 4-year tax holiday in respect of their business income. The tax holiday will start from the year of assessment 2016/17.
to improve access to finance the SME Financing Scheme will be continued for another three years and extended to individual entrepreneurs as well. An interest rate cut under this scheme will be brought down from 7.4 to 6 percent.
The Leasing Equipment Modernisation Scheme (LEMS) will be reintroduced to provide greater access to leasing finance.
The investment tax credit whereby a specified manufacturing company is able to offset against its tax liability 5 percent of the investment in new plants and machinery over 3 years, is being overhauled. The minimum eligibility requirement of Rs 100 million investments in a year is being removed to allow more
Businesses to benefit. Furthermore, the enhanced investment tax credit of 15 percent per annum over 3 years will also apply in respect of the investment made by a company in the share capital of a subsidiary company engaged primarily in the setting up and management of an accredited business incubator capped at Rs 20 million investment.

5.For manufacturers of textiles, wearing apparels, ships and boats, computers, pharmaceuticals and for film production the tax credit will be increased from 5 to 15 percent. This represents 45 percent of capital expenditure incurred on new plants and machinery over three years.

A Rs 20 million is being provided for the setting up of an exclusive Bio-Farming/Organic zone with comprehensive modern infrastructural facilities at Britannia.
Foreign Ultra High Net Worth Individuals investing a minimum of USD 25 million in Mauritius will be provided with a 5-year tax holiday. These tax holidays will be subject to meeting conditions of employment creation and substance.
A new incentive scheme with a tax holiday of 8 years will be introduced to attract industrial fishing companies to operate from Mauritius and contribute to the development of Mauritian seafood hub.
Tax Sops for Global Business Companies

Corporate tax holiday of 8 years to a Global Headquarters Administration company licensed by the Financial Services Commission (FSC) and meeting conditions of minimum employment and substance.
Corporate tax holiday of 5 years to a company providing Treasury Management Centre services licensed by FSC and meeting conditions of minimum employment and substance.
Personal income tax holiday of 5 years to an Asset and Fund Manager licensed by the FSC and managing a minimum asset base of USD 100 million.
Personal and corporate tax holiday of 5 years to Foreign Ultra High Net Worth Individuals' investing a minimum of USD 25 million in Mauritius.
Corporate tax holiday of 5 years to law firms which set up their regional offices in Mauritius to provide legal advisory and international arbitration services to global business clients.
Corporate tax holiday of 5 years for investment banks issued with an 'Investment Banking and Corporate Advisory Licence' and regulated by the FSC.
Corporate tax holiday of 5 years to Overseas Family Corporations licensed by the FSC.
India already has a strong presence in Mauritius .Eight Indian Public Sector Enterprises are currently operating in Mauritius. The Bank of Baroda (BoB), Life Insurance Corporation (LIC), and New India Assurance Company (NIAC) were the first to establish operations, followed by other Private Sector Units (PSUs) including India Handloom House, Telecommunications Consultant India Ltd (TCIL), IndianOil (Mauritius) Limited (IOML), Mahanagar Telephone (Mauritius) Ltd and State Bank of India (Mauritius) Ltd. Besides their core activities, the PSUs have contributed to various activities in Mauritius under the Corporate Social Responsibility (CSR) schemes.

Some high-visibility Indian-assisted projects in Mauritius include the Mahatma Gandhi Institute, the Upadhyay Training Centre, the Jawaharlal Nehru Hospital, the Subramania Bharati Eye Centre, the Rajiv Gandhi Science Centre and the Rabindranath Tagore Institute. Prestigious symbols of recent Indian assistance include the Cyber Tower at Ebène and the Swami Vivekananda International Conference Centre (SVICC).

The offshore patrol vessel Barracuda, built by an Indian shipyard under a Government of India line of credit, was commissioned into the Mauritian National Coast Guard during the visit of Prime Minister Shri Narendra Modi, in March 2015. India also provides extensive capacity building and training inputs to the Mauritian armed forces, besides carrying out regular joint patrolling/surveillance exercises and in the Mauritian EEZ. India has also provided assistance in the setting up of Mauritius's National Hydrographic Unit. Over the past forty years, India has extended several Lines of Credit to Mauritius to assist in the development of its infrastructure, human resource, skills development, capacity building, project appraisal, etc. In March 2015, a new line of credit of US$500 million for civilian infrastructure projects was announced by Prime Minister Shri Narendra Modi during his visit to Mauritius.

India and Mauritius have signed awide range of bilateral agreements and MoUs. Apart from the Double Taxation Avoidance Convention (DTAC-1982), Bilateral Investment Promotion and Protection Agreement (BIPA-1998), MoU on Air Services (2005), Agreement on Cooperation in Information Technology (2000), MoU on Cooperation in Biotechnology (2002), Extradition Treaty (2003), MoU on Cooperation against Terrorism (2005), MoU on Cooperation in the field of Environment (2005), Mutual Legal Assistance Treaty in Criminal Matters (2005), Agreement on the Transfer of Sentenced Persons (2005), MoU for Cooperation in the field of Hydrography (2005), MoU for Cooperation on Consumer Protection and Legal Metrology (2005),MoU Concerning Cooperation in the Exchange of Finance Intelligence Related to Money Laundering & Financing of Terrorism(2008), Protocol on the Sale of Navigational Charts; Agreement on Cooperation for the establishment of telemetry, tracking and tele-command 3 station for satellites and launch vehicles and for cooperation in the fields of space research, science and applications; Supply Contract for the Coastal Radar Surveillance System (2009), Agreement on Early Warning of Coastal Hazards (2010), MoU on Science and Technology Cooperation (2012), MoU on Sports and Youth Affairs (2012), Educational Exchange Programme (2012), MOU on Textiles (2012), MoU between RGSC Trust Fund and NCSM for setting up a hybrid planetarium (2012), MoU on Cooperation in Election Management and Administration (2013), MoU on cooperation in MSME Sector (2013), MoU on cooperation in Communication and Broadcasting between Mauritius Broadcasting Corporation and Prasar Bharti (2014), MoU on Cooperation in Ocean Economy (2015), and MoU in the field of Traditional Systems of Medicine (2015). In addition, Cultural Exchange Programmes have been regularly concluded since 1971.

India and Mauritius have also committed to mutually promote firm cultural Relations between themselves. The Indira Gandhi Centre for Indian Culture (IGCIC) at Phoenix is one of the largest centres of ICCR, which from March 2000, has emerged as an important venue for promotion of Indian cultural activities in Mauritius. The IGCIC holds classes in disciplines of Hindustani music, Kathak, Tabla and Yoga for Mauritian students. A Cultural Exchange Programme(CEP) (2015-2018) was signed in March 2015.Festival of India in Mauritius 2015 is being organised from August 2015 onwards in collaboration with the local ministry of Arts and Culture. The Festival was inaugurated by Hon'ble Minister of State for Culture Shri Mahesh Sharma on 21 August 2015. The Mahatma Gandhi Institute (MGI) was established in 1970 as a joint venture between the Government of India and the Government of Mauritius for the promotion of Indian culture and education. It also hosts the ICCR Chair in Sanskrit and Indian Philosophy. The Rabindranath TagoreInstitute was established with the assistance of the Government of India in 2000 as a Centre of Studies on Indian culture and traditions. Mauritius also hosts the World Hindi Secretariat. Yoga and traditional Indian systems of health (AYUSH) are extremely popular among the general public in Mauritius, the first International Day of Yoga will be commemorated in the country on a grand scale. An active network of local socio-cultural organisations and language unions add further strength and vitality to the vibrant people-to-people contacts. Indian Technical and Economic Cooperation (ITEC) has been India's flagship capacity building programme since its inception in 1964 and has acquired a strong brand name in India's development partnership with Mauritius. Mauritius is one of the largest beneficiary countries of the Indian Technical and Economic Cooperation (ITEC) programme. Mauritian nationals have taken advantage of large number of scholarships offered by India on civilian and defense related training courses at Indian institutions. The Pan African e-Network Project was inaugurated on February 26, 2009 in Mauritius, which connected it other African countries and India through a satellite and fiber-optic network. It has benefited Mauritius with sharing of India's expertise in education and health care. All three modes – VVIP, telemedicine and tele-education – are currently operational. Around 100 ICCR scholarships are extended annually to Mauritian students for higher education in India. Another about 200 Mauritian students enrolls themselves in Indian Universities every year on a self-financing basis. India ranks fourth in terms of Mauritian students studying in overseas tertiary education institutions.

The advancing times predict a large scope for trade and investment between Mauritius and India.