

Why has Mauritius Become so Popular to the Top End South African Investor Market?

The levels of SA buyer investment into IRS schemes in the first few years of inception have substantially exceeded demand expectations. The key benefits or attractions of this investment property market to South Africans include;

- IRS property investment market in Mauritius has got off to an exceptionally strong start, with the future outlook just as positive. The property development sector has already attracted a number of leading Developers from SA, Dubai & Europe, including financial institutions such as Investec Bank taking up equity in such development projects.
- By mid-2008, a limited number of IRS properties in the first IRS scheme launched in Mauritius (Tamarina) where resold for returns in excess of 40% per annum. Not to say such levels of asset appreciation are realistically sustainable in the long term, but annual property appreciation rates of 15-25% are forecasted and appear obtainable in the short-medium term.
- The 'SADC Property Allowance' permits SA residents to invest in "holiday homes in a personal basis" in other SADC countries, with such a transaction being free of exchange control. Therefore individual investors from SA are able to purchase IRS property of any value, including furnishings and taxes, through converting Rands into Dollars subject to SARB approval, which approval is facilitated through all the major banks in SA. As such, the funds used to acquire the property in Mauritius are completely independent of each individual's R2m offshore allowance. It must be noted however, that once such a property is acquired though making use of the 'SADC Property Allowance', SARB would need to be notified should the owner decide to sell the property some time in the future.
- The accessibility of the Mauritian property market enables South African's to legally invest in an international, Dollar based property investment market at levels in excess of applied foreign exchange controls i.e. there is no R2m cap when investing in IRS property in Mauritius.
- The Dollar based investment creates an ideal Rand hedge opportunity, potentially further enhancing the attractiveness of the asset purchase.
- Mauritian full residency is afforded to the buyer of an IRS property, including his / her dependents. The residency permit also enables application for an 'Occupation Certificate' to work or start a business in Mauritius.
- The IRS Developments are required by legislation to offer rental pool participation schemes for the villa / property owners, with full turn key management systems. The high quality accommodation / villas such schemes will offer in due course are envisaged key in enhancing the island's tourism accommodation capacity and in doing so achieving the Government's target of 2 million tourists by 2015. The benefit to international property investors being the ability to participate in such rental pool schemes, with the associated revenues generated further enhancing the financial justification in the property investment.
- With regard to taxation policies, Mauritius carries a very attractive framework, with personal and company tax applied at a flat 15% rate, nor is there any capital gains tax, STC (tax on dividends) or inheritance. **However**, what this

means to SA tax resident property investors is minimal to nothing because as a SA tax resident none of the above Mauritian tax benefits would be applicable (i.e they would only apply to Mauritian tax residents). As a SA tax resident, holding an investment in Mauritius would be the same as holding an investment anywhere else in world and would be subject to SA taxation policy with regard to offshore investments, equities or the likes. Therefore, although the villa acquisition and associated residency may afford the opportunity to the investor to potentially and down the line become a Mauritian tax based resident, there are no immediate or legal tax benefits associated with the purchase of an IRS property. Hence be weary of Developer's advertising the opportunity to 'take one's money on a tax holiday' or the likes, as this is simply misleading marketing jargon.