Uncertain Times – Protect Your Hard Earned Income

We should never take things for granted…the situation we are currently experiencing across the globe is no doubt a stark reminder, perhaps a brutal one unfortunately.

These days have witnessed strong or stronger bonding amongst family members, and some have taken time to reflect on the wealth they have worked hard to create and how to preserve and enhance it for their benefit and that of future generations.

A Trust, a Foundation or a Family Office is an efficient vehicle in that regard. The focus of this brief article will be on the latter.

The Financial Services (Family Office) Rules 2020 of Mauritius (the "Rules") regulate the running of family office services from Mauritius, and adds to the existing bouquet of private wealth management structures available in Mauritius, i.e., trusts and foundations. A Family Office provides an effective platform for efficient and secure wealth preservation and enhancement for present and future generations.

There are two categories of Family Offices licences available, namely Single Family Office ("SFO") or Multiple Family Office ("MFO"). The value of the assets and/or investments under management of a Family Office should be more than USD 5 million. A SFO and MFO must maintain a minimum unimpaired (i.e, non-utilisable) fully paid share capital of at least USD 35,000 and USD 70,000 respectively.

A Family Office, as its name suggests, may only have "family clients" (as defined under Schedule 1 to the Rules), and no other clients. The Family Office, whether it is an MFO or SFO may be: (1) wholly-owned by family clients; and (2) exclusively controlled by family members/family entities.

The activities which may be provided by a Family Office are quite broad and include:

(a) administering and managing investments, assets and/or estate;

(b) administering and managing concierge services;

(c) administering and managing philanthropic services;

(d) administering risk management;

(e) establishing family governance, wealth strategies, and family board.

The one-off processing fee and the annual licensing fee payable to the Financial Services Commission of Mauritius ("FSC") in connection with an SFO are USD 2,500 and USD 5,000 respectively. On the other hand, those for a MFO are USD 5,000 and USD 10,000 respectively.

Interestingly, a Family Office enjoys a tax holiday for an initial 5-year period, subject to satisfying certain substance criteria requirements.

The Rules further provide that any person who, immediately before the commencement thereof, was carrying out Family Office activities to apply to the Financial Services Commission of Mauritius for a SFO or MFO licence as applicable, within 3 months from the effective date of the Rules, i.e., 7 March 2020. However, this timeline is likely to be considered flexible due to the national confinement/lockdown caused by Covid-19 pandemic since 20 March 2020.

Important Note: This article is not intended to be a substitute for legal advice or a legal opinion. It deals in broad terms only and is intended to merely provide a brief overview and give general information.

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