PART 2: WHY IS AFRICA LOSING BILLIONS TO CYBERCRIME?

AFRICA FORECAST: THE 2ND FASTEST GROWING ECONOMY

A NEW CHAPTER BEGINS AT CROWE JHB

African Footprint

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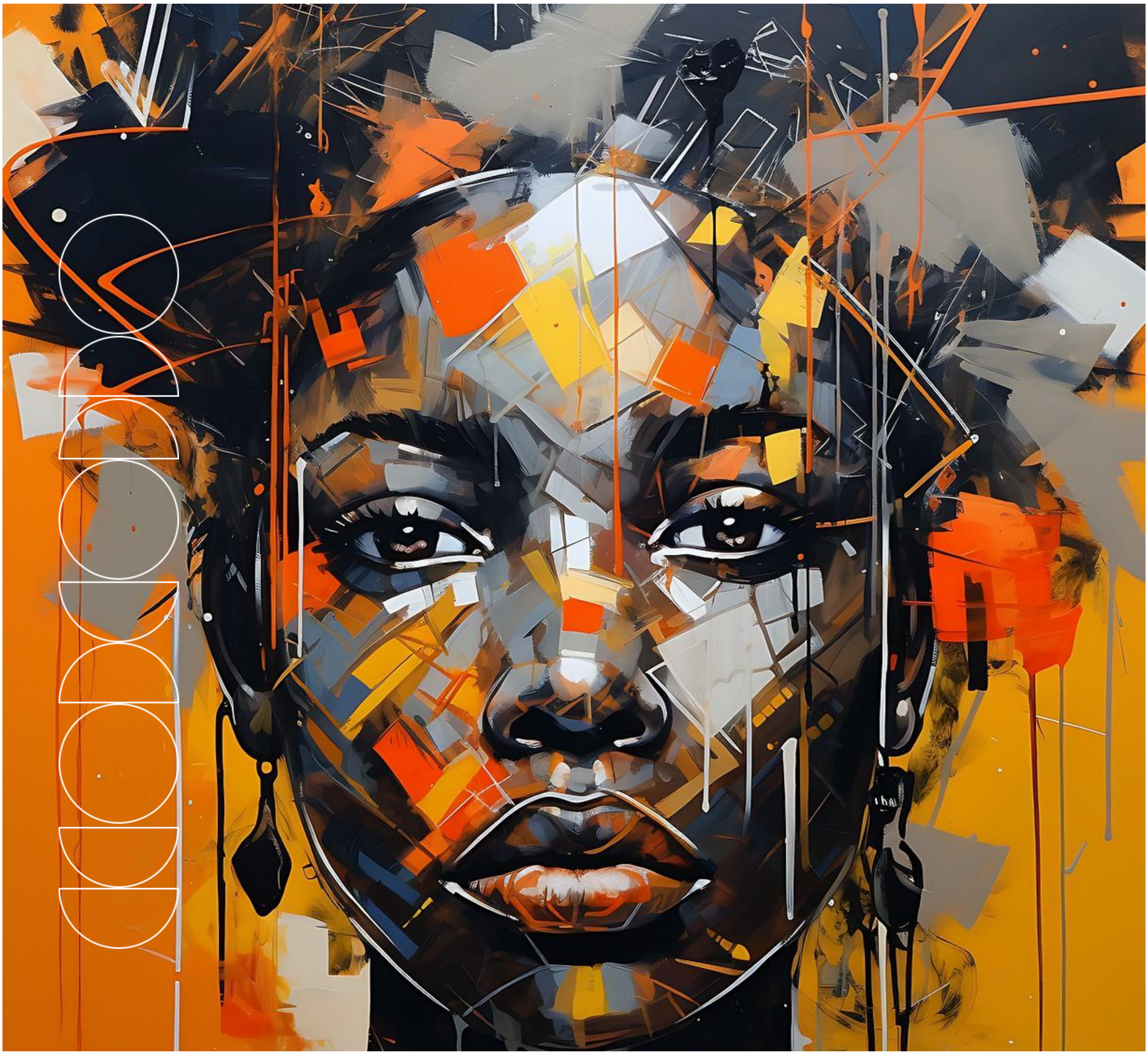

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Part 2: Why is Africa Losing Billions to Cybercrime?

Africa faces escalating cyber threats, costing the continent an estimated $3.5 billion annually. Weak cybersecurity systems jeopardize investor confidence, disrupt global supply chains, and expose financial networks to exploitation. To combat these risks, African governments and businesses must invest in stronger security frameworks, advanced technologies, and international cooperation. By adopting proactive cybersecurity measures, Africa can safeguard its digital infrastructure and foster sustainable economic growth.

The economic impact of cybersecurity threats

The economic impact of cybersecurity threats on African governments and businesses is profound. Cyberattacks can lead to significant financial losses, damage to reputation, and disruptions to critical infrastructure. According to a report by the Centre for Strategic and International Studies (CSIS) and McAfee, cybercrime costs Africa an estimated $3.5 billion annually.

In addition to direct financial losses, cybersecurity breaches can undermine investor confidence. As Africa increasingly becomes a destination for foreign investment, particularly in sectors such as fintech, e-commerce, and telecommunications, robust cybersecurity is essential to maintaining investor trust. For example, the growth of the fintech sector in Nigeria, which attracted over $1.37 billion in investments in 2021 alone, could be jeopardized by inadequate cybersecurity measures.

Moreover, weak cybersecurity systems in Africa pose significant risks not only to the continent itself but also to the rest of the world. For example, inadequate cybersecurity systems within African suppliers or partners can become entry points for cybercriminals targeting global supply chains. An attack on a poorly secured African supplier can lead to broader disruptions, affecting global manufacturing, logistics, and distribution networks. Such breaches can lead to the theft of intellectual property, business secrets, or even the insertion of malicious code into products or software.

Global financial system vulnerabilities and threats to international financial transactions are of particular concern. African banks and financial institutions that are part of the global financial network may become conduits for cyberattacks on the international banking system. Weak cybersecurity in African financial systems can lead to the compromise of SWIFT transactions, ATM networks, and online banking platforms, with global repercussions. Cybercriminals may exploit weak financial regulations and cybersecurity controls in Africa to launder money or commit fraud on a global scale. This can destabilize financial markets and lead to significant losses for businesses and governments worldwide.

The Role of Governments in Strengthening Cybersecurity

African governments have a critical role to play in enhancing cybersecurity across the continent. Governments must invest in robust cybersecurity frameworks, enact comprehensive cyber laws, and foster international cooperation to combat cyber threats.

Several African countries have taken steps in this direction. South Africa, for instance, has developed a National Cybersecurity Policy Framework, which aims to improve the country's ability to prevent and respond to cyber incidents. Similarly, Kenya has enacted the Computer Misuse and Cybercrimes Act, which criminalizes various forms of cybercrime and establishes mechanisms for monitoring and responding to cyber threats.

However, there is still a significant gap in cybersecurity readiness across the continent. According to the Global Cybersecurity Index (GCI) 2021 by the ITU, while some African countries like Mauritius and South Africa rank relatively high in terms of cybersecurity maturity, many others lag far behind. The report highlights the need for more countries to adopt and implement national cybersecurity strategies, enhance legal frameworks, and build capacity in cybersecurity.

The role of businesses in enhancing cybersecurity

Businesses in Africa must also prioritize cybersecurity as a critical component of their operations. This includes implementing strong cybersecurity policies, investing in advanced security technologies, and educating employees about the importance of cybersecurity. As cyber threats evolve, businesses must remain vigilant and proactive in safeguarding their digital assets.

Moreover, African businesses, especially small and medium-sized enterprises (SMEs), need to understand that cybersecurity is not just an IT issue but a business imperative. A study by Serianu found that 90% of African SMEs do not have cybersecurity measures in place, making them easy targets for cybercriminals . As these businesses increasingly rely on digital platforms, neglecting cybersecurity could result in catastrophic consequences, including financial losses, legal liabilities, and reputational damage.

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International cooperation and capacity building

Given the global nature of cyber threats, international cooperation is crucial in enhancing cybersecurity in Africa. African governments and businesses must collaborate with international partners, including governments, multilateral organizations, and private sector companies, to share information, build capacity, and develop best practices.

For example, the African Union (AU) has developed the African Union Convention on Cyber Security and Personal Data Protection (Malabo Convention), which provides a legal framework for cybersecurity and data protection across the continent. While the Convention has been adopted by several countries, widespread ratification and implementation are still needed to ensure its effectiveness .

In addition, capacity-building initiatives, such as training programs and workshops, are essential for developing the skills needed to address cybersecurity challenges. The World Bank and African Development Bank (AfDB) have been involved in various initiatives to support African countries in building cybersecurity capacity and developing resilient digital economies.

Expert advice and development of targeted cybersecurity solutions

Specialized consulting firms like Crowe Infrastructure Africa can provide expert advice and solutions to develop not only robust cybersecurity policies but also effective systems for data protection of digital platforms operated by the public and the private sector.

Effective cybersecurity systems for governments and businesses involve a combination of multi-layered technologies, practices, and policies designed to protect digital assets from a range of cyber threats. For African governments and businesses, adopting these systems and practices is crucial to safeguarding their digital infrastructure, ensuring the security of sensitive data, and maintaining trust with citizens and customers. As cyber threats continue to evolve, ongoing investment in these and other cybersecurity measures is essential to remain resilient in the face of emerging challenges.

Crowe Infrastructure can advise on the implementation cybersecurity systems such as:

1. Zero trust architecture: Zero Trust is a security model that assumes threats could be inside or outside the network, so every access request is fully authenticated, authorized, and encrypted before granting access. Google's BeyondCorp framework is an implementation of Zero Trust architecture that provides secure access to internal applications without requiring a traditional VPN.

2. Security Information and Event Management (SIEM) Systems: SIEM systems like IBM QRadar help organizations detect, investigate, and respond to security threats in real time. These systems collect and analyze data from various sources across the IT environment, providing a comprehensive view of potential security incidents. Businesses using SIEM systems can identify and mitigate threats faster, reducing the potential damage caused by cyberattacks. For example, QRadar's capabilities have helped companies in the financial sector comply with regulations and prevent data breaches by detecting anomalies early.

3. Endpoint Detection and Response (EDR) Systems: EDR systems like CrowdStrike Falcon provide continuous monitoring and analysis of endpoints (e.g., laptops, mobile devices) to detect suspicious activity. They are designed to provide real-time visibility, protection, and response to threats. CrowdStrike Falcon has been effective in protecting organizations against advanced threats like ransomware and zero-day exploits by enabling rapid detection and automated response to suspicious activities on endpoints.

4. Advanced Threat Protection (ATP): For example, Microsoft Defender ATP offers a unified platform for preventing, detecting, investigating, and responding to advanced threats. It integrates with other Microsoft 365 services, providing comprehensive protection for cloud and on-premises environments.

5. Data Loss Prevention (DLP) Systems: DLP systems like Symantec Data Loss Prevention are designed to detect and prevent unauthorized access or transmission of sensitive data. These systems monitor, detect, and block sensitive data being transmitted over email, instant messaging, or cloud storage.

6. Identity and Access Management (IAM): IAM systems like Okta provide tools for managing digital identities and access to resources. These systems enable single sign-on (SSO), multi-factor authentication (MFA), and automated provisioning and de-provisioning of user accounts. IAM systems have been instrumental in improving security for businesses by ensuring that only authorized users have access to specific resources and by simplifying the management of user identities across multiple platforms.

7. Firewalls and Intrusion Detection/Prevention Systems (IDS/IPS): Next-Generation Firewalls (NGFW), such as the one from Palo Alto Networks, combine traditional firewall capabilities with advanced features like application awareness, integrated intrusion prevention, and cloud-delivered threat intelligence. NGFWs provide businesses with robust perimeter defense and are capable of detecting and blocking sophisticated threats. They are essential in protecting against both external attacks and insider threats.

8. Cloud Security Solutions: For example, Amazon's Web Services (AWS) Security Hub provides a comprehensive view of high-priority security alerts and compliance status across AWS accounts. It aggregates data from various AWS services and third-party tools to identify potential security issues.

At the national level, there is a need for African governments to develop coherent and coordinated national cybersecurity strategies. Israel is often cited as a global leader in cybersecurity, largely due to its comprehensive national strategy. The country's approach includes a centralized cybersecurity authority, public-private partnerships, and a focus on fostering a cybersecurity ecosystem that includes education, research, and innovation. Israel's cybersecurity strategy has made the country a hub for cybersecurity innovation and has significantly reduced the incidence of successful cyberattacks against critical national infrastructure.

Conclusion

As Africa continues to embrace digital transformation, the importance of enhanced cybersecurity for governments and businesses cannot be overstated. The continent faces a growing range of cyber threats, from data breaches and ransomware attacks to state-sponsored cyber espionage. The economic and social impacts of these threats are significant, making it imperative for African nations to prioritize cybersecurity.

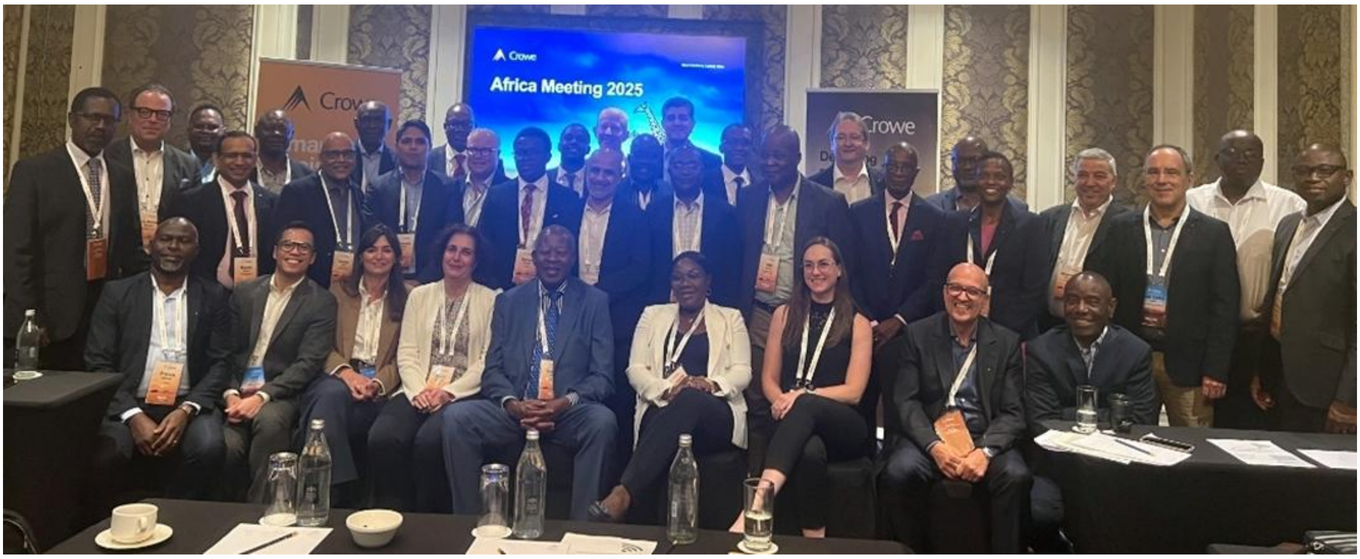
Both governments and businesses have a role to play in strengthening cybersecurity across Africa. Governments must develop and implement robust cybersecurity frameworks, while businesses must invest in advanced security technologies and practices. Moreover, international cooperation and capacity-building efforts are essential to addressing the continent's cybersecurity challenges.

In conclusion, enhanced cybersecurity is not just a technical requirement but a strategic necessity for Africa's future. By investing in cybersecurity, African nations can protect their digital infrastructure, foster economic growth, and ensure the security and wellbeing of their citizens in an increasingly interconnected world.

Stefan Kauder
Crowe Infrastructure Africa
Kenya

Africa Forecast: The 2nd Fastest Growing Economy

Insights from Crowe Global's Africa Meeting – February 2025, Nairobi, Kenya



Why Africa?

Africa has solidified its position as the second fastest-growing region globally, following Asia. In 2025, Africa's economy is projected to expand by an impressive 4.2%, significantly outpacing the global average of 3.2%. This growth is fueled by substantial infrastructure investments, thriving natural resource sectors, and a dynamic workforce. Crowe Global's internal market intelligence confirms these promising trends, reinforcing Africa's role as a key market for global business expansion.

A gathering of leaders to shape the future

Crowe Global's Africa Meeting in Nairobi brought together nearly 40 leaders from various firms across the continent, including representatives from our largest EMEA Member Firms in the UK, France, and Germany. The discussions revolved around Africa's economic forecast and the evolving needs of clients in the region.

Over the course of two days, participants engaged in strategic discussions aligned with Crowe Global's ambitious growth plans, including the goal of doubling global revenue by 2030. Significant insights were shared on market expansion, key initiatives, and Crowe Global's overall strategy for Africa.

Growth and market positioning

Key data points reinforced Africa's economic potential and Crowe Global's growing influence in the region. Our network achieved double-digit growth, with the EMEA region leading the way at an impressive 13% increase. The meeting emphasized the importance of identifying key markets and leveraging strategic advantages to enhance our position in Africa's evolving economic landscape.

Technology as a key enabler

Technology was identified as a crucial driver of growth. Crowe's Chief Digital Officer provided an update on the state of AI within Crowe Global, highlighting opportunities to integrate advanced digital solutions and enhance efficiency across our operations. Leveraging technology will be fundamental to maintaining our competitive edge and expanding our reach in Africa

Brand recognition and market influence

A significant highlight was the recent Brand Pulse Survey powered by Qualtrics, which ranked Crowe Global 4th in the market—positioning us ahead of some key competitors. This recognition is a testament to Crowe's growing influence and market credibility, reinforcing our commitment to delivering excellence.

Collaboration and business opportunities

A standout panel discussion focused on Africa's business opportunities, fostering collaboration, and strengthening partnerships. Key topics included:

Joint business initiatives to drive new opportunities

Leveraging centers of excellence

Capitalizing on global account opportunities

By working together as one, Crowe Global is well-positioned to support clients and stakeholders in navigating Africa's business landscape effectively.

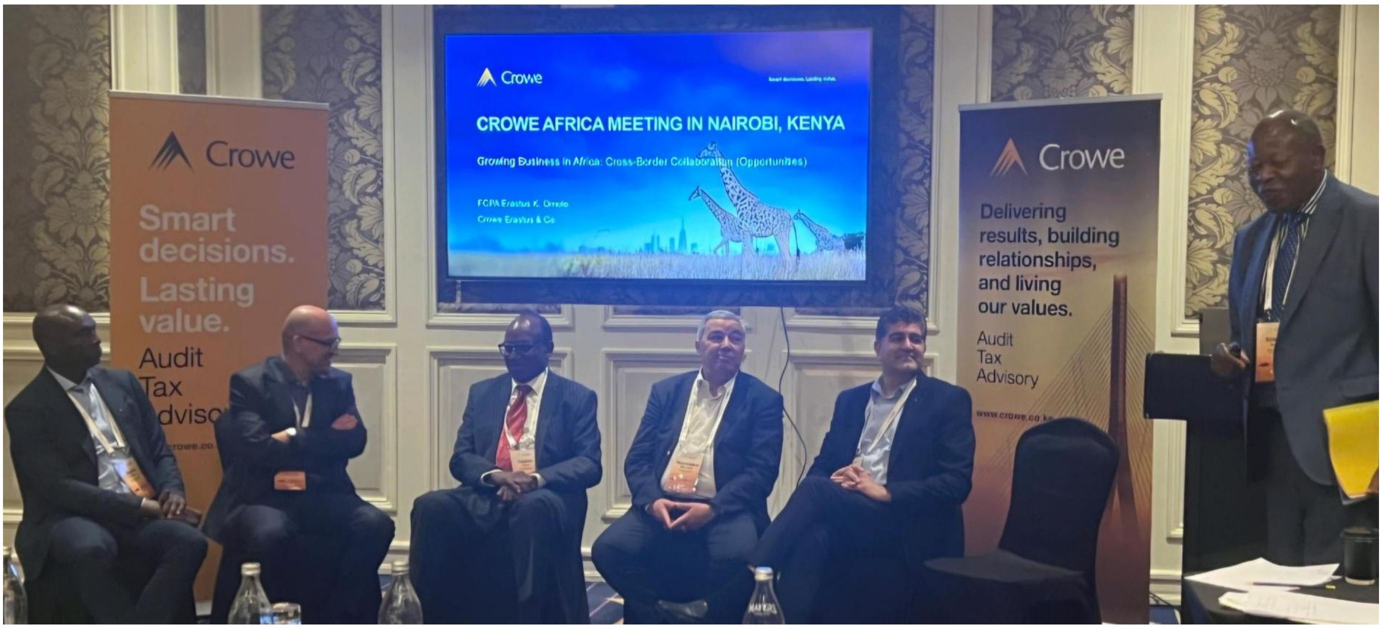
Media recognition & thought leadership

For the first time, Crowe Global received extensive press coverage on national television and in newspapers. Leaders were interviewed by KBC Live Show on Kenya Television, discussing critical topics such as ESG's impact on businesses and the importance of regulatory readiness. Additionally, Crowe's discussions on technology and talent garnered significant media interest, further establishing our thought leadership in these vital areas (The Star Newspaper; Citizen TV; KTN).

Crowe Working as One – Africa & Beyond

The 2025 Africa Meeting in Nairobi reaffirmed Crowe Global's commitment to fostering growth and innovation across the continent. As we continue to expand our presence, we remain dedicated to driving business success through collaboration, technology, and strategic market positioning.

With Africa's economic outlook stronger than ever, Crowe Global is ready to seize the opportunities ahead and solidify its role as a trusted partner for businesses navigating this dynamic landscape.



Filipa Correia
Regional Executive EMEA
Crowe Global

A New Chapter Begins at Crowe JHB

Raakesh Khandoo steps into his role as CEO, bringing extensive experience and a fresh perspective. Focused on employee wellbeing, service excellence, and embracing technology, he's driving Crowe JHB toward growth and innovation. With his people-first mindset and a strong team behind him, the firm is poised for a bright and successful future.

On March 3rd, 2025, Raakesh Khandoo officially stepped into his new role as Chief Executive Officer of Crowe JHB. Having been with the firm since 2004, Raakesh brings not only extensive experience but also a fresh perspective, ready to build on the firm's strong foundation. With a clear vision and an employee-first mindset, he is set to lead Crowe JHB into an era of growth, future focused solutions, and service excellence.

Leadership transitions mark defining moments for any organisation. While change can bring challenges, it also presents an opportunity to evolve, and strengthen Crowe JHB core values. As we reflect on the incredible journey under our previous CEO, Mark Watson, we now look ahead with excitement and confidence as Raakesh takes the helm. His passion for excellence, commitment to people, and drive for progress make him the right leader to take Crowe JHB into the future.

Raakesh's Vision for Crowe JHB

Raakesh is focused on three key areas that will define the next phase of Crowe JHB's journey: employee wellbeing, service excellence, and advancing technology. His 3P leadership philosophy is simple but powerful—people, performance, and progress. Investing in our team, refining our service delivery, and embracing smarter ways of working, he is ensuring that Crowe JHB remains a leader in the industry.

1. Putting people first – A workplace that thrives

Raakesh understands that a company's success starts with its people. He is committed to creating an environment where employees feel supported, valued, and empowered. From mental health and wellness initiatives to fostering teamwork and communication, his goal is to make Crowe JHB not just a place to work, Raakesh is setting the stage for a motivated, engaged, and high-performing workforce.

2. Elevating service excellence – Standing out for the right reasons

To remain competitive in a fast-paced industry, delivering exceptional client service is non-negotiable. Raakesh is committed to ensuring that Crowe JHB is known not just for what we do, but for how we do it. Through these efforts, he is reinforcing a culture of accountability, quality, and trust, making Crowe JHB a firm that both clients and employees can be proud of.

3. Embracing innovation – The future of business is digital

In an ever- changing world, standing still is not an option. Raakesh is driving Crowe JHB towards smart, technology-driven solutions that enhance efficiency and add value for clients. Adopting future-focused strategies, Crowe JHB will remain agile, adaptable, and ready to seize new opportunities.

Looking ahead – A shared journey

Leadership is not a solo journey—it's about guiding a team, inspiring change, and working together towards a common goal. Raakesh is stepping into this role not just with a vision, but with the backing of a strong, talented team that believes in the future he envisions.

Under his leadership, Crowe JHB is not just evolving—it's prospering. With a shared commitment to excellence, collaboration, and innovation, the firm is well on its way to achieving new heights.

As we embark on this next chapter, one thing is clear: with Raakesh at the helm, the future of Crowe JHB looks brighter than ever.

The partners and staff congratulate Raakesh on his appointment and wish him well as we enter this new journey together.

Sheena Indhul
Crowe JHB
South Africa

SDGs as a Catalyst for Workplace Innovation

Businesses are increasingly using the UN's Sustainable Development Goals (SDGs) to inspire innovation, reduce costs, and unlock new market opportunities. Companies like Unilever, Patagonia, and Tesla have integrated SDGs into their strategies, achieving both environmental impact and commercial success. By setting clear goals, leveraging technology, and fostering collaboration, businesses can turn sustainability into a powerful tool for growth. Aligning with SDGs not only future-proofs companies but also strengthens their brand and market position.

The United Nations' Sustainable Development Goals (SDGs) have become a global call to action for governments, non-profits, and businesses alike. They cover pressing issues such as ending poverty, promoting responsible consumption, and ensuring clean energy for all (see the official UN SDG website at https://sdgs.un.org/goals). For companies, these goals can serve as creative prompts, pushing them to innovate in ways that not only benefit society but also open new market opportunities and strengthen brand value.

Many organizations have successfully aligned with the SDGs to spark new ideas. Unilever, for instance, embedded the SDGs into its Sustainable Living Plan, which led to product innovations around hygiene and responsible consumption. The company saw measurable gains in both sales and reputation, as detailed in its sustainability reports (available at https://www.unilever.com/sustainability/ Patagonia adopted a similar approach by encouraging customers to repair their old gear rather than buy new items, which has reduced waste and built strong customer loyalty (read about Patagonia's sustainability mission at https://www.patagonia.com/our-footprint/)

Another compelling example comes from Interface, a carpet manufacturer that used SDGs as inspiration to overhaul its production processes. By recycling old carpets and switching to renewable energy sources, Interface cut down on material costs and established itself as a pioneer in circular manufacturing. A detailed account of its success can be found on the company's website (https://www.interface.com/US/en-US/sustainability). Similarly, Tesla's commitment to accelerating the world's transition to sustainable energy (which aligns with SDG 7 on affordable clean energy) revolutionized the electric vehicle market. The results include not just reduced carbon emissions but also explosive market growth, as seen on Tesla's investor relations page (https://ir.tesla.com/)

Best practices for SDG innovation

To harness the SDGs for innovation, organizations should adopt deliberate strategies and practices. Based on successful examples and expert guidance, here are the best practices for embedding sustainability into corporate innovation.

1. Focus on relevant goals: Identify a few SDGs that align with your organization's capabilities and mission. This ensures clear priorities and maximizes impact.

2. Set ambitious targets: Translate broad SDGs into specific, measurable goals. For example, commit to using 100% renewable energy by a certain date or reducing waste by half.

3. Embed SDG in culture: Make sustainability everyone's responsibility. Encourage cross-functional teams to collaborate on green solutions and celebrate success stories internally.

4. Leverage technology: Adopt AI, IoT, and digital tools to reduce resource use, track environmental impacts, and improve efficiency. Technology makes it easier to measure progress and scale successful ideas.

5. Collaborate and partner: Work with start-ups, NGOs, or even competitors to tackle big challenges. Joint efforts often lead to faster innovation and shared benefits.

6. Integrate goals into decisions: Use scorecards or KPIs that factor in environmental and social impacts alongside financial returns. This ensures that sustainable solutions get the funding they need.

7. Leadership support and purpose: When top executives champion sustainability, teams feel empowered to innovate. Aligning SDGs with the organization's broader mission motivates everyone to contribute.

Overcoming challenges

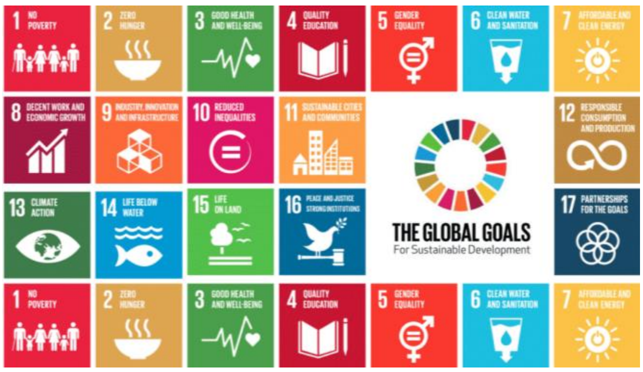
Aligning innovation efforts with the SDGs comes with a unique set of challenges and opportunities. Understanding these can help professionals anticipate hurdles and make the most of the upsides.

One common challenge is justifying the short-term cost or risk of sustainable innovations. New technologies or materials that benefit the environment might have higher upfront costs, and not every project will have an immediate ROI. Many sustainability teams find they must build a strong internal business case for each initiative – for example, proving that an eco-friendly design can save money or drive sales over time.

Another hurdle is the complexity of measuring impact. Because SDGs are broad and interconnected, it can be difficult to quantify how much a particular innovation contributes (and solutions in one area may create trade-offs in another).

Companies sometimes struggle with data and metrics – e.g. measuring carbon reduction, social impact, or ROI on inclusive business models. This can lead to "SDG-washing" if we're not careful: there's a risk that some firms might only cherry-pick easy wins for PR, without truly integrating sustainability (indeed, over half of companies globally admit using SDGs in reports, but only ~12% have clear company-wide SDG goals).

Additionally, cultural resistance can pose challenges – employees or managers accustomed to traditional practices may be wary of new, sustainability-driven approaches. Breaking silos for cross-department collaboration isn't easy in rigid organizations. Lastly, there are external challenges such as policy uncertainty (regulations on carbon, for instance, can change) or technology gaps that require innovation themselves (e.g. the need for better energy storage tech to fully move to renewables).



Opportunities

Despite challenges, the opportunities are compelling. Aligning with the SDGs positions businesses to access huge new markets and revenue streams. Innovations aimed at solving societal problems often unlock unmet customer needs – effectively creating demand. As mentioned, achieving the SDGs could open up trillions in economic opportunities such as:

- New markets: Developing solutions to issues like renewable energy or clean water can unlock demand in rapidly growing industries.

- Efficiency gains: Reducing waste, cutting energy use, and recycling materials often lower operational costs.

- Brand differentiation: Consumers increasingly favour brands with clear social and environmental commitments.

- Futureproofing: By proactively designing sustainable solutions, companies stay ahead of regulations and shifting market expectations, ensuring long-term competitiveness.

Conclusion

By using the SDGs as a guiding framework, businesses can transform their workplaces into hubs of sustainable innovation. The cases and practices highlighted show that doing so is not just altruism – it's a strategic move that future-proofs the company and drives competitive advantage. Professionals can take these insights to heart: start small if needed (with a targeted SDG project or two), learn and celebrate quick wins, and scale up ambition as buy-in grows. The journey to align innovation with the SDGs is a continuous one, but it equips organizations to navigate a rapidly changing world while making a positive impact. In the process, the workplace becomes an engine not only for profit but for people and the planet, truly embodying the principle that sustainable development and innovation go hand in hand.

Tayla-Michelle Bestbier
Crowe DNA
South Africa

Electronic Invoicing to Soon Become Mandatory in France

France's mandatory electronic invoicing rollout from September 2026 aims to combat VAT fraud, simplify reporting, and enhance business competitiveness. Companies must adopt structured invoice formats, use certified platforms, and submit transaction data to tax authorities. Beyond compliance, this shift offers businesses improved financial insights, streamlined operations, and better cash flow management. Accountants play a crucial role in ensuring a smooth transition and maximizing these benefits.

The mandatory adoption of electronic invoicing is set to transform how businesses handle billing and payment processes in France. Article 26 of the Amending Finance Law dated 16 August 2022 and the 2024 Finance Law introduce the following key requirements:

Key obligations

1. Mandatory electronic invoicing between VAT-registered businesses (E-Invoicing):
    - Use of digital, structured invoice formats.
    - Transmission of invoices through certified platforms.
    - Submission of required invoice and payment data to the tax authorities.

2. Reporting of transaction and payment data to the tax authorities (E-Reporting):
    - Applicable to VAT-registered entities for operations involving non-VAT-registered parties.

3. Implementation timeline:
    - Progressive rollout from 1 September 2026 to 1 September 2027.
    - A grace period extending to 31 December 2027, subject to specific conditions.

Objectives of the reform

This initiative aims to:

- Strengthen the fight against VAT fraud : estimated at €15 billion in 2019. VAT fraud poses a significant challenge, the reform seeks to curb these losses.
- Reduce reporting costs and simplify declarations, with the ultimate goal of introducing pre-filled VAT returns.
- Optimize costs and payment delays, in order to enhance business competitiveness.
- Improve real-time knowledge of business activity, supporting more informed policymaking and providing businesses with actionable insights.

An opportunity for businesses

On 9 December 2024, the Crowe Réunion firm hosted a client seminar to outline both the challenges and opportunities presented by these new obligations. Beyond its mandatory nature, electronic invoicing offers businesses a genuine opportunity to optimize their management and decision-making processes through real-time access to financial data.

By leveraging electronic invoicing, companies can streamline their operations and improve efficiency, enhance their financial and strategic decision-making capabilities and gain greater control over cash flow and improve payment timelines.

In their capacity as financial experts, accountants play a pivotal role in supporting businesses during this transition. They provide essential guidance in :

- Ensuring compliance with new regulatory requirements.
- Implementing effective electronic invoicing systems.
- Utilizing financial data to drive strategic decision-making.

In conclusion, while compliance with these regulations is mandatory, businesses can harness this change to modernize their processes, reduce costs, and gain a competitive edge in an increasingly data-driven economy.

Abdoullah Lala
Crowe Réunion France
Réunion

Supreme Court Significant Judgement: Partial Exemption Regime

Alteo Energy Ltd v Assessment Review Committee & Anor, the Supreme Court of Mauritius

In Alteo Energy Ltd v Assessment Review Committee & Anor, the Supreme Court of Mauritius recently produced a crucial ruling that clarified the application of the 80% partial exemption on interest income under the Income Tax Act 1995 (ITA) and Regulation 23D (2) of the Income Tax Regulations 1996 (IT Regulations). For companies looking to optimise their taxable positions while maintaining adherence to the ITA's substantive standards, this case is especially important.

Whether interest income received by Alteo Energy Ltd., a business principally involved in the production of electricity, might be eligible for the 80% income exemption was at the centre of the disagreement. The Assessment Review Committee (ARC) and the Mauritius Revenue Authority (MRA) determined that the interest income in question did not meet the requirements for the exemption since it was not produced from the company's Core Income Generating Activities (CIGA).

The Supreme Court, however, rejected this view and finally decided in favour of Alteo.

For businesses in Mauritius, especially those involved in a variety of commercial ventures with various revenue streams, this ruling has broad ramifications. The ruling affirms that, if the business satisfies the substantive requirements outlined in the applicable tax laws, the 80% exemption is not limited to income received only from CIGA.

Facts

Alteo Energy Ltd., a division of the Alteo Group, was mainly involved in the production of energy during the 2019–2020 assessment year. Its main commercial activity was selling electricity to the Central Energy Board (CEB).

It deposited surplus funds from electricity sales with a sister company, which produced interest income, as part of its financial management strategy. In accordance with Item 7 and Regulation 23D(2), Alteo subsequently treated 80% of this interest income as exempt.

In contrast, the MRA argued that the interest income did not originate from the company's CIGA and hence did not qualify for the 80% income exemption in a Notice of Assessment that denied the exemption. The assessed amount was Rs. 158,145.

In its decision dated October 24, 2023, the ARC maintained the MRA's opinion, concluding that the exemption could not be granted because the interest income had nothing to do with Alteo's CIGA. Alteo then challenged this restricted interpretation in an appeal to the Supreme Court.

Regulations

If the business satisfies the specified substantive requirements, the ITA offers an 80% exemption on several income categories, including interest income. However, some financial firms, including banks, insurance providers, leasing companies, and foreign currency dealers, are not eligible for this exemption.

The relevant provisions in dispute were:

a) According to item 7 of the ITA's Second Schedule, a business may claim an 80% exemption on interest income as long as it meets the substance requirements and is not one of the financial institutions that are excluded.

b) Three essential requirements are outlined in Regulation 23D(2) of the Income Tax Regulations 1996 in order to meet the substance conditions:

- The company must carry out its core income-generating activities in Mauritius.
- It must employ an adequate number of suitably qualified persons to conduct those activities.
- It must incur a minimum level of expenditure proportionate to its business activities.

The disagreement started because the MRA and ARC gave these clauses a restricted interpretation, contending that Alteo's interest income was not eligible for the exemption as it was not derived from CIGA.

Judgement

The Supreme Court ruled in favour of Alteo Energy Ltd, overturning the ARC's decision. The key findings were:

a) Item 7's wording is unambiguous and does not stipulate that interest income must come from CIGA. Any business that satisfies the material requirements is eligible for the exemption, regardless of the nature of its operations.

b) By incorporating further requirements within the statute, the ARC committed a legal error. Regulation 23D(2) makes no mention of CIGA being the source of interest income.

c) The term "CIGA" is inclusive and not restrictive. The use of the word "includes" in the definition of CIGA means that it expands the scope rather than limits it.

d) Regulation 23D(2) prescribes only three conditions. There is no basis for imposing further conditions beyond those expressly provided in the law.

e) The exemption was introduced as part of a broader tax reform aimed at ensuring a level playing field for both domestic and global business companies (GBCs).

Our View

The ruling establishes a significant legal precedent that strengthens uniformity and clarity in the financial industry of Mauritius. Companies that use legal tax planning techniques will remain protected by the law.

The Court has reaffirmed the idea that tax regulations must be applied exactly as written, without unreasonable limitations, by confirming that interest income does not have to come from CIGA.

The ruling affirms that businesses, even if their revenue does not come from CIGA, are eligible for the 80% income exemption if they fulfil the specified substance requirements.

This eliminates a degree of ambiguity, enabling businesses to diversify their sources of income without worrying about losing the exemption due to the interest income's source alone.

Ajay Sewraz / Anand Ramsaha
Crowe Mauritius
Mauritius

The Impact of IFR4NPO and IFRS S1 & S2 on Reporting and Compliance

Kenya's financial reporting landscape is set for a major shift in 2025 with the adoption of IFRS S1 and S2 by ICPAK and the introduction of INPAG for non-profits. These standards aim to improve transparency, accountability, and sustainability disclosures. Early adoption will enhance investor confidence, attract funding, and improve compliance for both businesses and NGOs. While adoption timelines vary, businesses and non-profits are encouraged to prepare for these impactful changes

In 2025, significant advancements are set to reshape financial reporting and compliance for companies and non-governmental organizations (NGOs) in Kenya. The anticipated release of the International Non-Profit Accounting Guidance (INPAG) under the IFR4NPO initiative, alongside the Institute of Certified Public Accountants of Kenya's (ICPAK) adoption of IFRS Sustainability Disclosure Standards S1 and S2, marks a pivotal shift towards enhanced transparency and accountability in both sectors. While the IFRS S1 and S2 are already effective and ICPAK has issued guidance on implementation, IFR4NPO, once released, will still require adoption in Kenya with the guidance of ICPAK, the regulator, and the Ministry of Finance.

IFRS S1 and S2 adoption by ICPAK

IFRS S1 and S2 became effective for annual reporting periods beginning on or after 1 January 2024. First disclosures in 2025: This means that the first-time companies are required to disclose sustainability-related financial information under these standards would be in their 2025 financial statements.

In September 2023, ICPAK announced its intention to adopt the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards, specifically IFRS S1 and IFRS S2, in Kenya. IFRS S1 focuses on general requirements for disclosure of sustainability-related financial information, while IFRS S2 pertains to climate-related disclosures. These standards aim to create a unified reporting framework, enhancing comparability and consistency in sustainability reporting. ICPAK released an adoption roadmap in phases, Phase 1 - Voluntary Adopters the date of 1 January 2024; Phase 2 - Mandatory Adoption by Public Interest Entities (PIEs) is 1 January 2027, Non-PIEs (Large Enterprises) by 1 January 2028 and 1 January 2029 for Non-PIEs (SMEs). Phase 3 – Public Sector Entities to be determined by ICPAK.

Impact on businesses

Though adoption of these standards is delayed in Kenya, early voluntary adoption offers significant benefits to businesses. The adoption of IFRS S1 and S2 will also have significant implications for businesses in Kenya, particularly for companies listed on the Nairobi Securities Exchange (NSE), multinational corporations, and firms seeking international investors:

1. Enhanced investor confidence: Companies that adopt IFRS S1 and S2 will benefit from improved investor confidence as they provide transparent sustainability disclosures, aligning with global investment trends focused on ESG (Environmental, Social, and Governance) considerations.

2. Improved access to international capital: International investors are increasingly prioritizing sustainability disclosures when making investment decisions. Kenyan businesses that comply with IFRS S1 and S2 will be better positioned to attract foreign investments and funding.

3. Regulatory compliance: Companies listed on the NSE and multinational corporations will need to align their reporting with IFRS S1 and S2 to meet both local and international regulatory expectations. This could involve restructuring financial reporting processes and integrating sustainability-related disclosures.

4. Competitive advantage: Businesses that proactively implement sustainability reporting in line with IFRS S1 and S2 will differentiate themselves in the market, gaining a competitive edge in sectors such as manufacturing, finance, and agriculture, where sustainability concerns are increasingly scrutinized.

5. Operational and reporting costs: While the adoption of these standards brings long term benefits, companies may face initial costs related to training, system upgrades, and capacity building to meet new reporting requirements.

IFR4NPO and INPAG

The IFR4NPO initiative aims to establish the first internationally recognized accounting standard tailored for non-profit organizations (NPOs). This standard, known as the International Non-Profit Accounting Guidance (INPAG), is slated for launch in 2025. INPAG seeks to simplify and standardize financial reporting for NPOs, facilitating better measurement and management of financial sustainability, compliance with donor requirements, and attraction of quality funding. For auditors, it offers a clear framework, reducing ambiguity and enhancing audit quality (IFR4NPO).

Impact of IFRS S1&2 and IFR4NPO on NGOs in Kenya and beyond

Both IFRS S1&2 and INPAG are not mandatory reporting requirements as of now; however, it is beneficial to start considering their advantages. Some NGOs operating in Kenya have head offices in Europe and the United States, where reporting requirements and donor expectations are already stringent. The implementation of INPAG and the adoption of IFRS S1 and S2 are poised to significantly influence reporting and compliance and this may later apply to NGOs once adopted in Kenya and their global headquarters: What are some of the benefits to NGOs?

1. Enhanced transparency and accountability: Adherence to these standards will require NGOs to provide comprehensive disclosures on financial and sustainability-related matters, fostering greater trust among stakeholders, including donors, regulatory bodies, and the public.

2. Harmonized reporting across jurisdictions: NGOs with international headquarters will benefit from a standardized reporting approach, aligning financial statements across countries and making it easier to consolidate reports for global compliance.

3. Improved access to funding: Standardized and transparent reporting can enhance NGOs' credibility, potentially unlocking more funding opportunities from international donors who seek assurance in financial integrity and sustainability practices.

4. Capacity building needs: NGOs may need to invest in training and capacity building to effectively implement these standards, ensuring accurate and compliant reporting. International NGOs will also need to support their Kenyan counterparts in adopting these standards.

5. Regulatory compliance: Though ICPAK has not directly included NGOs in its roadmap plan and the definition of a PIE is not clear in its guidance, the Public Benefits Act definition of public benefit activity may well place NGOs in this bracket. However, ICPAK may need to address this in its guidelines. NGOs may need to assess their readiness and progressively adopt these standards to meet regulatory expectations both in Kenya and in their headquarters' jurisdictions when required to do so.

Conclusion

The forthcoming introduction of INPAG and the adoption of IFRS S1 and S2 represent a transformative period for businesses and other sectors in Kenya. By embracing these standards, NGOs can enhance their operational transparency, strengthen stakeholder trust, and contribute to a more sustainable and accountable non-profit sector. Similarly, businesses - especially those listed, multinational companies, and firms seeking international investors - will need to align their reporting with sustainability standards to remain competitive and compliant.

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The Risks of Cash Transactions in African Economies

Cash transactions remain common in many African countries, particularly among Asian communities, but they pose risks like fraud, corruption, and money laundering. The anonymity of cash makes it difficult to trace, enabling crimes that undermine financial stability. Encouraging digital payment adoption and stronger regulations can help reduce these risks. By promoting transparency, African nations can improve governance and economic security.

In many African countries, including Zimbabwe, cash transactions remain prevalent, particularly among Asian communities, such as Chinese and Indian individuals and businesses. While cash transactions offer convenience and immediacy, they also pose significant risks to the economies of these nations. This brief article explores the dangers associated with cash transactions, focusing on fraud, corruption, money laundering, and other crimes.

Fraud

Cash transactions are inherently difficult to trace, making them a fertile ground for fraudulent activities. The anonymity provided by cash allows individuals to engage in deceptive practices without leaving a paper trail. This can include everything from small-scale scams to large-scale financial frauds. For instance, businesses may underreport their income to evade taxes, leading to significant revenue losses for governments[1]. Additionally, the lack of traceability makes it challenging to detect and prevent fraudulent transactions, thereby undermining the integrity of the financial system[2].

Corruption

Corruption is another major risk associated with cash transactions. The use of cash facilitates bribery and other corrupt practices, as it is easier to exchange money without detection. In many African countries, cash is often used in government transactions, private business dealings, and daily financial activities, creating an environment conducive to corruption[3]. The absence of an electronic trail makes it difficult to hold individuals accountable, thereby perpetuating a cycle of corruption that weakens governance and erodes public trust.

Money Laundering

Money laundering is a significant concern in cash-based economies. The process of money laundering involves making illegally obtained money appear legitimate. Cash transactions are particularly vulnerable to this practice due to their anonymity and lack of traceability. Criminals can easily move large sums of money through cash transactions, making it difficult for authorities to track and intercept illicit funds. This not only facilitates criminal activities but also undermines the stability of the financial system.

Other Crimes

The prevalence of cash transactions also contributes to other forms of crime, such as tax evasion and smuggling. Businesses that operate primarily in cash can underreport their earnings, thereby evading taxes and depriving governments of much-needed revenue. Additionally, cash transactions are often used to facilitate smuggling operations, including the illegal trade of goods and services. The lack of oversight and regulation in cash-based transactions makes it easier for criminals to operate undetected, further exacerbating the problem.

Conclusion

While cash transactions offer certain conveniences, they pose significant risks to African economies. The anonymity and lack of traceability associated with cash make it a preferred medium for fraud, corruption, money laundering, and other crimes. To mitigate these risks, it is essential for African countries to promote the adoption of digital payment systems and strengthen regulatory frameworks. By doing so, they can enhance financial transparency, reduce corruption, and create a more stable and secure economic environment.

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