

TR 12

Facts

An offshore company incorporated in Mauritius as an asset management company will give investment advice to a fund also incorporated in Mauritius as an offshore company. The fund derives income through its investment activities abroad.

Point at issue

Whether the management fee which the asset management company will receive from the fund will be deemed to be foreign source income and hence the company will be entitled to claim the deemed foreign tax credit in accordance with Regulation 8 (3) of the Income Tax (Foreign Tax Credit) Regulations 1996.

Ruling

Since the asset management company is resident in Mauritius and will give investment advice to another company resident in Mauritius, the investment advisory fees are income derived from Mauritius. Moreover, as credit for foreign tax is given only in respect of foreign source income, the deemed foreign tax credit will not be available with regard to the investment advisory fees.