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Facts

A citizen and resident of Switzerland, hereinafter referred to as "the Person", is owner of various assets such as cash, bonds and a house in Switzerland. All the wealth and income of the Person have been subjected to the domestic taxes in Switzerland.

The Person is planning to acquire a house under the Integrated Resorts Scheme in August 2014 and settle in Mauritius in the year 2015. The Person's actual house will be sold and capital gains tax on the sales proceeds will be paid in Switzerland. The acquisition of the house in the IRS will require funds to be transferred directly from Switzerland to Mauritius in the year 2014.

After settling in Mauritius in 2015, the Person's wealth and income already subjected to tax in Switzerland will be transferred to a bank in a tax free country. For the purpose of meeting living and other personal expenses and probable acquisition of other assets in Mauritius, money will be transferred from the bank in the tax free country to Mauritius on a regular basis.

Point at issue

Whether upon becoming a Mauritian resident, the net income received from the disposals of the Person's wealth which has been already taxed in Switzerland and banked in a tax free country, will be subject to Mauritian income tax when transferred to Mauritius on a regular basis?

Ruling

The proceeds from the disposal of assets already taxed in Switzerland, banked in a tax free country and transferred to Mauritius on a regular basis will be considered as capital and not income falling under section 5 of the Income Tax Act. As such the remittances will not be taxable.

However, in case income derived from the capital invested in bank or elsewhere in the tax free country, such as interest, dividend etc, is remitted to Mauritius, it will constitute income falling under section 5 of the Income Tax Act and will be taxable in Mauritius.