

## **TR 183**

### **Facts**

X is an international energy company engaged in the exploration, production and marketing of natural gas. X was incorporated in Mauritius as a private company and it holds a Category 1 Global Business Licence. X has a wholly owned subsidiary in Jersey registered under the name of Y Limited. Y has a branch which derives income in Tanzania.

The gross income of Y for the years 2008 to 2016 amounting to USD 77.289 million represents the profits of the Tanzanian Branch, except for an amount of USD 128,357 which is interest income from Jersey for the year 2016. The profits from the Tanzanian Branch are not taxable in Jersey. However, the Branch is subject to tax at 30% in Tanzania and has paid tax amounting to USD 56.666 million on the income derived from Tanzania for the years 2008 to 2016.

Y wishes to pay a dividend of USD 77.289 million to X. The dividend receivable by X is taxable in Mauritius at the rate of 15% and the company is entitled to foreign tax credit.

### **Point at issue**

Whether X is entitled to underlying foreign tax credit in respect of dividends received from Y by virtue of Regulation 7 of the Income Tax (Foreign Tax Credit) Regulations 1996?

### **Ruling**

Based on the above facts and on the understanding that the provisions of Section 77 of the Income Tax Act are satisfied, it is confirmed that with regard to dividends receivable from Y on which X is taxable in Mauritius, X is entitled to foreign tax credit on account of tax paid in Tanzania on profits out of which such dividends are paid.