

## **TR 216**

### **Facts**

M is incorporated in Mauritius on 20 October 2004 and holds a Category 1 Global Business Licence. The principal activity of M is that of investment holdings.

M is wholly owned by P, a company registered in the United States of America (“USA”).

M currently holds 49.998% of the shares of R, a company incorporated in the Republic of India. The shares were acquired on 23 January 2008.

M proposes to transfer all its shareholding in R to its holding company P in USA. The transfer of the shares will be *cum div*.

For the purposes of ascertaining the ‘gain’ resulting from the transfer of the shares, the value of the shares of R will be based on its fair market value.

### **Point at issue**

Whether the ‘gain’ resulting from the transfer of the shares held in R will be treated as exempt for income tax purposes in Mauritius?

### **Ruling**

On the basis of facts mentioned above, it is confirmed that ‘gain’, exclusive of any dividends payable at the date of transfer, arising on the transfer of the shares in R will be exempt from income tax by virtue of the provisions of item 7 of Sub-Part C of the Second Schedule to the Income Tax Act. Such dividends, if any, will be liable to income tax in Mauritius.