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Facts

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

H is wholly owned by E, a company registered in the United States of America (**"USA"**).

H currently holds 99.998% of the shares of N, a company incorporated in the Republic of India. The shares were acquired on 9 December 2004.

H proposes to transfer all its shareholding in N to its holding company E 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 N will be based on its fair market value.

Point at issue

Whether the 'gain' resulting from the transfer of the shares held in N 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 N 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.