**TR 217**

**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.