**TR 218**

**Facts**

F is incorporated in Mauritius on 5 October 2005 and holds a Category 1 Global Business Licence. The principal activity of F is that of investment holdings.

F is wholly owned by V, a company registered in the United States of America ("USA").

F currently holds 99.998% of the shares of X, a company incorporated in the Republic of India. The shares were acquired on 26 October 2006.

F proposes to transfer all its shareholding in X to its holding company to V, 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 X will be based on its fair market value.

**Point at issue**

Whether the ‘gain’ resulting from the transfer of the shares held in X 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 X 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.