

TR 22

Facts

An offshore company resident in Mauritius derives dividends from a foreign company in which it holds 50% of the shares.

Point at issue

Whether credit for underlying tax on a yearly basis will be granted on the production of a certificate from the tax authority of the foreign country that the company is subject to tax on its profits at a certain rate.

Ruling

The offshore company will be entitled to a credit for underlying tax on production of documentary evidence showing, in respect of the year for which credit is claimed, the following particulars:-

- a) the amount of corporate tax actually paid by the foreign company and
- b) the total profits of the foreign company out of which the dividends were paid.

The offshore company will still be able to claim an underlying tax credit in respect of a year where no tax has been paid by the foreign company if the dividends can be shown to have been paid out of a previous year's profits which have already been charged to tax. In such a case, the rate used in that previous year will apply for the purpose of calculating the underlying tax credit.