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**Facts**

A was incorporated as a domestic company in Mauritius on 16 August 2022 as part of a reorganisation of companies with common shareholders. Its principal activities are investment holding as well as providing debt finance to related parties.

A will hold investment in Mauritius domestic companies that are specialised in the operating of super/hypermarkets and wholesale trade. Existing inter-company debts among these companies together with the relevant interest entitlement will be assigned to A in order to achieve synergy at finance and reporting levels.

The core activity of A will be to finance the short-term and long-term capital requirements of its related parties by way of commercial loans granted on an arm's length basis. A plans to do so for the future and existing loan agreements as follows:

*1. Future Loan Agreements*

Given that A holds companies involved in trading activities, it will finance the capital requirements or projects of these companies in the form of intragroup loans.

*2. Existing Loan Agreements*

Group companies will transfer all the existing intragroup loans to A through a novation agreement with relevant parties. In doing so, the existing lender's rights and obligations would be transferred to the new lender, A.

A's shareholders and directors are Mauritian residents. Its business premises and operations are in Mauritius. Decision making, whether at directors level or at operational level (with respect to day-to-day operations), performance of duties with respect to the business activities are all in Mauritius.

**Point at issue**

Whether on the basis of its business activities, A would be eligible to claim the 80% partial exemption on the interest income derived on both new and existing reassigned/novated loans irrespective of the derivation of exempt dividend income?

**Ruling**

On the basis of the facts mentioned above, it is ruled that A will not be eligible to claim partial exemption on the interest income as it does not satisfy the conditions relating to the substance of its activities as laid down in regulation 23D of the Income Tax Regulations 1996.