

**TR 261****Facts**

A has been incorporated in Mauritius on 28 December 2018 and it holds a Global Business Licence issued by the Financial Services Commission.

A had share application monies of USD 3,880,000 in its audited financial statements for the year ended 31st December 2021.

During the year 2022, there was a 100% change in shareholding and the share application monies is still in the statement of financial position as at date.

The board of directors of A would like to write off this share application monies and are considering writing off the share application monies as an income.

The share application monies were received in 2019 in 4 tranches and represent amounts invested by the previous shareholders but for which shares had not been issued yet by A. Before A could issue the shares for the share application monies, the shareholders disposed of their existing shares to new shareholders.

The shareholders of A have changed in 2022 and the share application monies were from the previous shareholders. The new shareholders intend to clean up their balance sheet and since this amount does not relate to them but relates to the previous shareholders, they have decided to write off the amount.

There is no resolution or agreement approving the share application monies.

The proposed accounting entries are as follows:

Dr	Share application monies	USD 3,880,000
Cr	Other Income	USD 3,880,000

**Point at issue**

Whether the Other Income amounting to USD 3,880,000 recognised in A's income statement from the writing off of the share application monies will be subject to income tax in Mauritius?

**Ruling**

On the basis of the facts mentioned above, it is ruled that the Other income amounting to USD 3,880,000 will be subject to income tax in Mauritius in accordance with section 10(g) of the Income Tax Act.

