

TR 268

**Facts**

V was incorporated in Mauritius on 2 April 2021 as a private company with liability limited by shares. It holds a Global Business Licence issued by the Financial Services Commission.

V forms part of W Group of companies (the “Group”) which is engaged in the Oil and Gas industry, with production and exploration operations in 14 countries across the world, including five countries in Africa, namely Congo, Democratic Republic of Congo, Cameroon, Gabon and Chad. The Group operates through entities based principally in the local countries of operations for the exploration and the production segment and now Mauritius for its services segment.

The business activity of V is ship leasing.

As part of the implementation of the Group’s activities within the Mauritius International Financial Centre, V acquired vessels from related parties for the purpose of carrying out the ship leasing activity. The acquisition of the vessels was funded principally by way of interest bearing loans, at arm’s length, taken from related entities based in Bermuda.

The vessels acquired are leased to operators in the Oil and Gas industry in Africa.

**Point at issue**

Whether V is eligible to claim tax deductibility of its interest expenses incurred on the loans taken for the acquisition of the vessels in its tax returns submitted?

**Ruling**

On the basis of the facts provided, it is ruled that V is eligible to claim tax deductibility of its interest expenses incurred on the loans taken for the acquisition of the vessels in its tax returns in accordance with section 19(1) of the Income Tax Act.

