

TR 86

Facts:

The Directors of a Category 1 GBL company wish to transfer the registration of the company to another jurisdiction in accordance with Section 301 of the Companies Act 2001. On re-registration of the company, it will cease to be Mauritius resident and will forego its Global Business Licence. The assets of the company comprise quoted and unquoted investments.

Points in issue:

- a) Whether the migration will be treated as a cessation of business in Mauritius and deemed disposal of the investments?
- b) If deemed disposal applies, whether:
 - i. the transfer of the assets will be taxable?
 - ii. any capital gains arising will be considered as 'exempt income' and whether there will be an implication of 'expenditure incurred in the production of income'?
 - iii. there will be any other tax implications on the re-registration of the company?

Ruling:

- a) The migration will be treated as a cessation of business in Mauritius as the company will be removed from the register of companies and the transfer of the quoted and unquoted investments will be treated as deemed disposal.
- b) (i) By virtue of Item 7 of Sub-part C of Part II of the Second Schedule to the Income Tax Act 1995, gains or profits derived from the sale of units or of securities by a company holding a Category 1 Global Business Licence is exempt from income tax.

(ii) By virtue of Section 26(1)(b) of the Income Tax Act, no deduction shall be made in respect of any expenditure or loss to the extent to which it is incurred in the production of income which is exempt income.

(iii) There will be no other tax implication in Mauritius on re-registration of the company in another jurisdiction. However on deregistration in Mauritius, the company has an obligation to:
 - furnish to each employee, within 7 days, a Statement of Emoluments and Tax Deduction for such period as appropriate;
 - submit forthwith, a return of income for the period ending with the cessation of the business; and
 - pay any tax due by the company