

## **TR 171**

### **Facts**

U Limited is a company incorporated in Mauritius and is holder of a Category 1 Global Business Licence. It has started its operation in the business of acquiring and holding financial instruments in overseas jurisdictions and the net result at 31 March 2016 is a loss.

The company has royalty obligation payments to non-residents for the use or right to use Sigma Squawk facility, Stellar Software Licence, etc.

The company has incurred a gross loss in its first year of operation but will derive gross income in subsequent years from foreign sources. The company does not have any Mauritian source income.

### **Point at issue**

Whether the royalty paid by the company qualifies for the exemption under item 5 of Sub-Part B of Part II of the Second Schedule to the Income Tax Act.

### **Ruling**

Based on the above facts, it is confirmed that the royalty will qualify for the exemption as laid down under item 5 of Sub-Part B of Part II of the Second Schedule to the Income Tax Act.