

TR 179

Facts

R Ltd is holder of a Category 1 Global Business Licence. It entered into a loan agreement with Bank X (the “Lender”) on 23 November 2015. The Lender is incorporated in China and is a government- owned entity. The Lender is also indirectly a 40% shareholder of R Ltd.

As per the terms of the Loan Agreement, the Lender shall charge R Ltd interest twice a year in accordance with the interest rate.

Point at issue

Whether interest arising in Mauritius and derived by the Lender will be exempt from withholding tax in Mauritius as the Lender is a governmental body.

Ruling

On the basis of facts provided, it is confirmed that interest paid by R Ltd to the Lender is exempt from income tax in Mauritius by virtue of item 4(a) of Sub-Part B of Part II of the Second Schedule to the Income Tax Act. Hence, R Ltd will not be subject to any withholding tax in Mauritius.