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Facts

H is a private company incorporated in Mauritius. It holds a Category 1 Global Business Licence and is tax resident in Mauritius. The principal activities of H are investment holding and it currently owns 64.89% in B, a company incorporated and tax resident in Uganda.

B is an electric energy generating company operating a power station in Uganda.

In accordance with the Uganda Income Tax Act, the income of B derived from the hydro power project is exempt from income tax from 01 July 2017 to 30 June 2022. This exemption was granted as part of the effort of the government to reduce the cost of electricity with a view to promote economic development in Uganda.

Point at issue

Whether H is entitled to claim tax sparing credit in respect of dividend receivable from B against the Mauritius tax imposed on such income?

Ruling

On the basis of the above, it is confirmed that H is entitled to claim tax sparing credit in respect of dividend receivable from B in accordance with the provisions of Regulation 9 of the Income Tax (Foreign Tax Credit) Regulations 1996 and Article 24(3) of the DTAA between Mauritius and Uganda.