

TR 191

Facts

G is a private company incorporated in Mauritius in June 2018. G will be involved in creative and innovative activities geared towards the development of Intellectual Property (IP) assets in Mauritius, mainly in the virtual gaming and betting industry. G in Mauritius aims to be a self-sufficient development hub where the latest ideas and innovations in the gaming sector can be produced and brought to life.

G's product teams have outlined the concepts for 5 new products / features which currently do not exist in the market. G will be tasked with developing the concepts and turning them into fully operational products and features. The products will be developed and maintained by G in Mauritius. The IP rights will be registered in Mauritius and the ownership of such products will exclusively belong to G.

To help in the development process of the 5 innovative products, G will employ highly experienced coding developers and gaming technical officers from Europe. These people will be highly qualified in the IT and gaming sector. To support these people, G will hire talents locally in Mauritius. G plans to employ 20 full-time employees in its IT department in Mauritius which includes:

- 1 Chief Technology Officer
- 4 Senior Developers
- 10 Junior Developers
- 3 Graphic Designers
- 2 Project Managers

Once the products are ready in Mauritius, they will then be distributed through current and prospective gaming operators overseas in Europe and Africa. G will enter into provider agreements with the different operators and will be remunerated on a revenue share basis.

Point at issue

Whether the income of G will be exempt from income tax for a period of 8 income years in accordance with Items 34(a) and 34(b) of Sub-Part C of the Second Schedule to the Income Tax Act which reads as follows:

“34(a) Subject to sub-tem (b), the income of a company set up on or after 1 July 2017 and involved in innovation-driven activities for intellectual property assets which are developed in Mauritius.

(b) The exemption shall be for a period of 8 income years as from the income year in which the company started its innovation-driven activities.”

Ruling

On the basis of the facts submitted, it is noted that:

- G was set up in Mauritius after 1 July 2017;
- G is going to develop 5 new products which currently do not exist in the market;
- the activities of G will generate IP assets in Mauritius;
- G will be the exclusive owner of the IP rights of the products which it will develop in Mauritius and will be registered in Mauritius;
- G will have substance in Mauritius as all software development will be done in Mauritius through a team of 20 IT Professionals who will all be in Mauritius and whose ideas will be incorporated in gaming products developed in Mauritius.

Based on the above, the activities of G would fall under the provisions of Items 34 (a) and 34 (b) of the Sub-Part C of the Second Schedule to the Income Tax Act and hence be exempt from income tax for a period of 8 income years as from the income year in which G starts its innovation-driven activities.