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Facts

XYZ, hereinafter referred to as ‘the Company’, is incorporated in Dubai and has a Bunker Barge time charter contract with a Mauritius company to operate within the Mauritius port limits and in any part of the world for carrying marine fuel oil and marine gas oil. The Company is the owner of the Bunker Barge, ‘The Vessel’, which has all the certificates and licenses to operate within the Mauritius port limits. The Vessel is registered in Mauritius. The risk of operating the Vessel remains with the Company whereby the Company has to properly insure the Vessel, has to ensure it is maintained and is in good sailing condition. The Company provides and pays the crew.

Point at issue

Whether the income derived in Mauritius by the Company is exempt from income tax by virtue of Item 9 of Sub-Part C of Part II to the Second Schedule of the Income Tax Act, given that it is the registered owner of a foreign vessel?

Ruling

Income derived by the Company from the rental / lease / time charter of the Vessel does not fall under Item 9 of Sub-Part C of Part II to the Second Schedule of the Income Tax Act and is therefore liable to tax in Mauritius in accordance with Section 10(c) of the Act. The Company is not considered to derive income **from the operation of the vessel**, as required by law.