

TR 155

Facts

M is a private company incorporated in Mauritius on 31 December 2010. The Company is holder of a Category 1 Global Business License (GBC1) under the Financial Services Act 2007. The principal activity of M is that of an investment holding entity and it holds private equity investments in Bangladesh. M is a wholly owned subsidiary of N, a company based in the Cayman Islands.

M wishes to sell its Bangladesh investments and the funds received from the sale of the investments will be repatriated to its shareholders, N, by way of dividend distribution or repayment of loan.

Points at issue

- 1) Whether the profits on sale of the investments in Bangladesh will be subject to tax in Mauritius?
- 2) Whether the repatriation of funds by M to its shareholders in Cayman Islands by way of dividend distribution will be subject to tax in Mauritius?
- 3) Whether the repatriation of funds by M to its shareholders in Cayman Islands by way of loan repayment will be subject to tax in Mauritius?

Ruling

- 1) The profits on sale of the investments in Bangladesh will be exempt from income tax in Mauritius by virtue of item 7 of Sub-Part C of the Second Schedule to the Income Tax Act.
- 2) The repatriation of funds by M to its shareholders in Cayman Islands by way of dividend distribution will be exempt from income tax in Mauritius pursuant to the exemption provisions under item 1(a) of Sub-Part B of the Second Schedule to the Income Tax Act.
- 3) The repatriation of funds by M to its shareholders in Cayman Islands by way of loan repayment is of capital nature and will not be subject to income tax in Mauritius. It is understood that any interest payable with the loan repayment is also exempt from income tax under item 4 of Sub-Part B of Part II to the Second Schedule of the Income Tax Act.