TR 206

Facts

Z is a domestic company whose main activity is the breeding and selling of primates to A only.

The shareholder of Z is A which holds 100% shareholding of Z. The main activity of A consists of breeding and export of primates.

Z intends to transfer its stock which is made up of Bearer Biological Assets (“BBAs”) and Consumable Biological Assets (“CBAs”) to A

BBAs are defined as breeders and do not have any increase in value. CBAs are defined as Babies and Growers which mature at the age of 24 months. These monkeys are then exported to laboratories outside Mauritius.

The stock of the Z has been valued at ‘fair value less costs to sell’ in accordance with IAS41. Accordingly, both companies have in their accounts revalued their stock each year and any increase in the stock has been reflected in the chargeable income of the respective companies.

Point at issue

Whether Z can transfer its stock to A at ‘fair value less costs to sell’ as declared in the accounts of Z for the year ended 31 December 2018?

Ruling

Based on the above facts, Z should transfer its stock at ‘fair value less costs to sell’ on the day of the transfer in accordance with Section 14(4) of the Income Tax Act and not on the balance sheet date.