

TR 27

Facts

A Mauritian company is involved in the manufacture and sale of chemical products, water treatment equipment and spare parts for domestic and industrial use.

A foreign company has a royalty agreement with the Mauritian company to provide the latter with formulations for the production of water treatment chemicals.

A new company was incorporated to establish a joint venture between the Mauritian company and the foreign company.

A division of the Mauritian company was transferred to the newly incorporated company for a specific amount of money.

The transfer consisted of the existing staff of the division and the existing clients of the Mauritian company.

Point at issue

Whether the receipt by the Mauritian company constitutes a taxable income.

Ruling

The receipt by the Mauritian company representing consideration for the sale of "goodwill" is not chargeable to income tax.