

TR 275

Facts

X was incorporated in Mauritius on 24 March 2015 as a private company with liability limited by shares. It holds a Global Business Licence.

The business activity of X is to acquire "turbine engined aircrafts and lease them out to appropriate operators". X has not changed its business activities over the years.

As part of its normal business activities, X acquired two aircrafts along with their spare parts in the income years 2015 and 2019 respectively. The total investments in the aforementioned aircrafts amounted to USD 2,005,902 and the aircrafts have been leased out by X such that the latter derives lease income. In its income tax returns, X has claimed 100% annual allowances on the aforementioned aircrafts (inclusive of their spare parts) in their respective years of acquisition, for a total of USD 2,005,902.

During the period from 01 July 2021 to 31 December 2021, X has claimed the 80% partial exemption on the lease income generated from the leasing of aircrafts in accordance with item 42 (a) (ii) of Sub Part C of Part II of the Second Schedule of the Income Tax Act

During the income year 2022, X has transferred ownership of the aircrafts, to each of the lessees, for a consideration of USD 601,395 and USD 1,310,578 respectively. X also derived a net gain on disposal from aircrafts amounting to USD 1,911,973. In line with the provisions of Section 24(5)(a) of the Income Tax Act, X had a net balancing charge of USD 1,537,297 (restricted to the annual allowance claimed for each asset) during the income year ended 31 December 2022.

Point at issue

Whether X is entitled to claim an 80% partial exemption under the Second Schedule of the Income Tax Act on the balancing charge of USD 1,537,297 arising from the disposal of aircrafts?

Ruling

On the basis of the facts mentioned above, it is ruled that X is entitled to claim partial exemption under item 48 (a) of Sub-Part C of Part II of the Second Schedule of the Income Tax Act on the balancing charge of USD 1,537,297 arising from the disposal of aircrafts.