

TR 276**Facts**

A has been incorporated as a private company limited by shares in Mauritius on the 17th of January 2023. A holds a Global Business Licence and is authorised to operate as an investment dealer by the Financial Services Commission.

A:

- shall act as intermediary in the execution of securities transactions on behalf of other persons;
- does not trade in securities on its own account;
- shall also have an office and an employee in Mauritius;
- shall not be licensed to carry underwritings; and
- shall use MetaTrader 5 as its trading platform;

Business activities and operations

A acts as an intermediary in the execution of securities transactions whereby its main source of income represents a mark-up on the spreads when the transaction is effected. The prices provided to clients will include A's mark-up. A applies mark-ups on spread, commissions and swaps based on the quotes received from the liquidity providers with which it cooperates with. The mark up is calculated by the investment dealers in Turkey and recommended to the Board of Directors of A to approve.

A's operations are as follows:

- receive orders from potential clients;
- create and send those new orders for Execution to its Liquidity Providers ('LPs') and/or exchanges (Bourse); and
- once confirmation is obtained from the LP and/or Exchange about the execution of the order, it sends a confirmation to the client for the order received.

A will have access to a range of liquidity providers and depending on the trade direction, size, and market condition it will direct trades accordingly in order to offer the best possible execution of order based on likelihood, price, cost, speed and other related factors.

Functions of the employee

A will have a full-time employee based in Mauritius who will carry out the functions of on boarding, trading, business development and daily operation. The employee shall:

- conduct a compliance review;
- pre-screening for completeness of application;
- world check screening to check the clients' background;
- review the clients' orders for compliance with the law;
- exchange trading rules; and
- other cognate duties.

A shall incur the minimum expenditure proportionate to its level of activities.

Point at issue

Whether A satisfies the conditions of section 23D of the Income Tax Regulations and is eligible for 80% partial exemption on its income derived under its investment dealer license?

Ruling

On the basis of the facts mentioned above, it is ruled that in accordance with item 41 of Part II of Sub-Part C to the Second Schedule of the Income Tax Act, A will be entitled to 80% partial exemption on income derived by it as an investment dealer provided that it:

- (i) carries out its core income generating activities in Mauritius as specified in the application;
- (ii) shall also have an office in Mauritius;
- (iii) shall have an adequate number of suitably qualified persons in Mauritius (direct employment) to conduct its core income generating activities and who will carry out the duties as enumerated in the application; and
- (iv) incurs a minimum expenditure proportionate to its level of activities.