

TR 277**Facts**

A has been incorporated as a private company limited by shares in Mauritius on the 14th of March 2023. A holds a Global Business Licence and has been authorised to operate as an investment dealer by the Financial Services Commission - ("FSC").

A shall:

- act as either a counterparty or a broker in the securities transactions;
- not trade in securities on its own account;
- not be licensed to carry underwritings;
- also have an office and employees in Mauritius; and
- connect buyers and sellers, facilitating seamless transactions and contributing to market efficiency

Business activities and operations

A will act as either a counterparty or a broker in the securities transactions. In fact, A will be a financial services firm that provides securities trading services for clients. While being the counterparty, A will execute trades as principal to the client. As brokers, A will connect buyers and sellers, facilitating seamless transactions and contributing to market efficiency.

A is engaged in two business models.

In the first business model, A offers its clients a range of different products at competitive prices and deliver high levels of service through its trading platform. A provides straight-through processing services by facilitating the instant execution of clients' trades by external counterparties. Under this model, A's revenue streams are spread derived from the client's trading transactions, commission and additional pips automatically determined by algorithms on client financing.

In the second model, A acts as a principal counterparty for its clients' trades. A, as a market maker, assumes the role of both the buyer and seller for its clients. Revenue is primarily generated through the spread, which represents the difference between bid and ask prices of financial products offered.

Unlike the first model, where trades are executed with external counterparties, A as a market maker, internalizes a significant portion of client trades. This allows A to derive revenue not only from the spread but also from the market impact of client trades.

The trading platform will be hosted by the Datacentre in New York.

A does not trade in securities for its own account.

A's investment dealer license excludes underwriting.

Functions of the employees

A shall have two local directors which will take major decisions of the Company through board meetings.

A will also have the following full-time employees in Mauritius:

Responsibility/position	Number of employees
AML Manager	1
Dealing & Liquidity Management	1-2
IT Staff	1-2
Back office (onboarding)	3-4

The full-time employees based in Mauritius will carry out the functions of on boarding, trading, business development and daily operation.

Incur a minimum expenditure proportionate to its level of activities.

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 whether A 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:

- (a) carries out its core income generating activities in Mauritius as specified in the application;
- (b) shall have an office in Mauritius;
- (c) 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
- (d) incurs a minimum expenditure proportionate to its level of activities.