

## **TR 54**

### **Facts**

A company terminated the contract of employment of all its seven employees upon the decision of the shareholder to close the company and, in consideration of the termination of the employment contracts, effected the following payments:

- Severance allowance in accordance with the Labour Act.
- Three months' remuneration in lieu of notice.

A payment made purportedly to restrain the employees from competing in Mauritius with another operation, a related company, owned by the same shareholder as that of the former company.

### **Point of Issue**

Whether item 3, that is the payment which according to the company was made to restrain the employees from competing in Mauritius with the related company, is taxable in the hands of the recipients.

### **Ruling**

On the facts and information provided, the amount paid under item 3 to the former employees of the company falls within the ambit of section 10 (1) (a) of the Income Tax Act which includes as taxable item any compensation for loss of office or other reward in respect of or in relation to loss or reduction of future income.